PHILIPPINE ESTATES

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO: ALL STOCKHOLDERS

Notice is hereby given that the **ANNUAL MEETING OF STOCKHOLDERS** of **PHILIPPINE ESTATES CORPORATION** will be held on:

Date	:	October 6, 2017
Time	:	10:00 a.m.
Place	:	One Café and Events Place 6th Floor, One Corporate Center Julia Vargas Ave. corner Meralco Ave. Ortigas Center, Pasig City, Metro Manila

SECURITIES AND EXCHANGE COMMISSION
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MARKET REGULATION DEPT.
BY: 4:43

For the purpose of transacting the following business:

a. Call to order.
b. Report on attendance and quorum.
c. Approval of minutes of the previous stockholders' meeting.
d. President's report to the stockholders for the year 2016.
e. Ratification of the acts of the board of directors and management for 2016.
f. Election of directors for the ensuing term.
g. Appointment of external auditor.
h. Other matters.
i. Adjournment.

Stockholders who are unable to attend the meeting may vote by proxy, which shall be filed with the Corporate Secretary at least twenty-four (24) hours before the scheduled date of meeting.

The appropriate Proxy form is enclosed for your convenience.

Pasig City, September 15, 2017

FOR THE BOARD OF DIRECTORS

ATTY. JOAQUIN P. OBIETA
-Corporate Secretary-

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, a stockholder of PHILIPPINE ESTATES CORPORATION, do hereby name, constitute and appoint:

Mr./Ms. ______________________; or in his absence
Mr./Ms. ______________________; or in his absence

the Chairman of the shareholders' meeting, as his/her/its true and lawful Attorney-in-Fact for it and in his/her/its name, place and stead, to do and perform the following acts and things, to wit:

To attend, be present and represent the undersigned at the Annual Stockholders' Meeting of PHILIPPINES ESTATES CORPORATION including any adjournment or postponement thereof, to take part in the deliberation thereon, vote any and all shares that the undersigned now owns or may hereafter own in said Corporation in any matter, motion, resolution that may be taken up in said meeting/s in such manner as his/her/its aforesaid Attorney-in-Fact shall deem acceptable in the premises.

HEREBY GIVING AND GRANTING unto the said Attorney-in-Fact full power and authority to do and perform any and every act requisite or proper to be done in or about the premises, as fully to all intents as the undersigned might or could lawfully do if personally present and acting in person and hereby ratifying and confirming all that said Attorney-in-Fact shall lawfully do, or cause to be done by virtue hereof.

The power and authority herein granted shall remain in full force and effect until specifically revoked through a sufficient notice in writing delivered to the Secretary of the Corporation at any time before the meeting.

___________________ , ___________ 2017.

PRINTED NAME OF STOCKHOLDER ___________________________

SIGNATURE OF STOCKHOLDER ___________________________

SEC Number 112978
File Number _______

PHILIPPINE ESTATES CORPORATION

(Company's Full Name)

35th Floor, One Corporate Center, Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila

(Company's Address)

637-3112

(Telephone Number)

December 31

(Fiscal Year Ending)
(Month and day)

SEC Form 20-IS

(Form Type)

Amended Designation (if applicable)

December 31, 2016

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement Pursuant to Section 20 of the Securities Regulation Code

1.	Check the appropriate box:	
	Preliminary Information Statement ✓ Definitive Information Statement	
2.	Name of Registrant as specified in its Charter:	PHILIPPINE ESTATES CORPORATION
3.	Province, Country or Other jurisdiction of Incorporation or Organization :	Metro Manila, Philippines
4.	SEC Identification Number :	112978
5.	BIR Tax Identification Number :	000-263-366
6.	Address of principal office :	35th Floor, One Corporate Center, Julia Vargas, corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila
7.	Registrant's telephone number, including area code :	Tel. No. (02) 637-3112 Fax No. (02) 636-8847
8.	Date, time and place of the meeting of security holders :	October 6, 2017 10:00 a.m. /One Café and Events Place 6th Floor, One Corporate Center, Julia Vargas Ave., corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila.
9.	Approximate date on which the Information Statement is first to be sent or given to security holders :	August 31, 2017
10.	Securities registered pursuant to Sections 4 and 8 of the RSA :	Common Shares with par value of PhP1.00/share
	No. of Shares of Common Stock Issued and Outstanding:	1,445,549,830
	Amount of Debt Outstanding:	PhP 78,335,423

11. Are any or all of these securities listed on the Philippine Stock Exchange?

✓ Yes __ No

Common Shares are listed on the Philippine Stock Exchange.

PART – I

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

(a.) Date, time and place of meeting:	October 6, 2017, 10:00 a.m. 6^{th} Floor, One Café and Events Place, One Corporate Center, Julia Vargas, corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila.
Complete mailing address of principal office:	35^{th} Floor, One Corporate Center, Julia Vargas Ave., corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila.
(b.) Approximate date on which the Information Statement is first to be sent or given to security holders:	August 31, 2017

Item 2. Dissenters' Right of Appraisal

The stockholders' right of appraisal has no applicability in the forthcoming Annual Meeting of Stockholders of Philippine Estates Corporation (PHES) as the Agenda does not include any of the instances when the right may be invoked in accordance with Section 81 of the Corporation Code.

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

(a.) Since the beginning of the last fiscal year, none of the directors, any nominee for elections as director in the company, or associate of any of the foregoing persons have any substantial interest, direct or indirect, in any matter, to be acted upon in the stockholders meeting, other than election to office.

(b.) No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof.

(a) The number of common shares of stock issued and outstanding as of June 30, 2017 is 1,445,549,830. The common shares owned by Filipinos is 1,374,906,820 or equivalent to 95.113%. Common shares allowed to foreigners is 578,219,932 and the total shares owned by foreigners is 70,643,010 or equivalent to 4.887%. For the purpose of electing Directors at the forthcoming Annual Meeting of Stockholders, stockholders enjoy cumulative voting rights. Each common share is entitled to eleven (11) votes which may be cast cumulatively in favor of one candidate, or distributively to as many candidates and in any proportion as the stockholders see fit.

(b) Only persons who are stockholders of record as of 8 September 2017 may vote, or be voted upon, for the position of Director.

(c) Security ownership of certain record and beneficial owners and management.

1. Security ownership of certain record and beneficial owners of more than five percent (5%) as of June 30, 2017:

Title of Class	Name and Address of Record/Beneficial Owner and Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	% of Ownership
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	----------------------------	Filipino	688,525,350	47.631
	**HDI Securities holds 80,171,000 or 5.546%*				
Common	PCD NOMINEE CORP. Indirect Beneficial Ownership 6767 Ayala Ave. Makati City	----------------------------	Non-Filipino	70,643,010	4.887
Common	RECOVERY REAL ESTATE CORP. 22nd Flr. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	150,000,000	10.377
Common	REXLON REALTY GROUP, INC. 22ND Flr. CITIBANK TOWER 8741 PASEO DE ROXAS MAKATI CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Treasurer	Filipino	200,000,000	13.836
Common	ROPEMAN INTERNATIONAL CORP. #7 T. SANTIAGO ST. CANUMAY, VALENZUELA METRO MANILA Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Corporate Secretary	Filipino	178,270,000	12.332
Common	THE WELLEX GROUP, INC. 35TH FLR. ONE CORP. CENTER UNITS 3504 & 3504, JULIA VARGAS CORNER MERALCO AVE., ORTIGAS CENTER, PASIG CITY Affiliate-Direct Beneficial Ownership	DEE HUA T. GATCHALIAN Assistant Corporate Secretary	Filipino	143,892,990	9.954

2. Security ownership of management as of June 30, 2017:

1. Security Ownership of Management.

Title of Class	*Name of Beneficial Owner*	*Citizenship*	*Amount and Nature of Class*	*% of Ownership*
Common	Arthur M. Lopez Chairman/Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Dee Hua T. Gatchalian Director	Filipino	2,000-Direct Beneficial Ownership	0.000
Common	Ms. Elvira A. Ting President / CEO	Filipino	500,000-Direct Beneficial Ownership	0.035
Common	Renato B. Magadia Director	Filipino	1,000,000 Beneficial Ownership	0.069
Common	Joaquin P. Obieta Director/Corporate Secrtetary	Filipino	1,100-Direct Beneficial Ownership	0.000
Common	Sergio R. Ortiz-Luis, Jr. Independent Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	Arthur R. Ponsaran	Filipino	1,000-Direct	0.000

	Director		Beneficial Ownership	
Common	Richard L. Ricardo Treasurer/Director	Filipino	1,230,000-Direct Beneficial Ownership	0.085
Common	Kenneth T. Gatchalian Vice Chairman	Filipino	320,000 Direct Beneficial Ownership	0.022
Common	Byoung Hyun Suh Independent Director	Filipino	1,000-Direct Beneficial Ownership	0.000
Common	James Palit-Ang Director	Filipino	1,000-Direct Beneficial Ownership	0.000

- ♦ Beneficial ownership of all directors and officers as a group unnamed is 3,058,100 shares.
- ♦ Voting Trust Holders of five percent (5%) or more.
  There are no voting trust holders of five percent (5%) or more of the securities of the registrant.
- ♦ Changes in control:
  There has been no change in the control of the registrant since the beginning of its fiscal year.

* Recovery Real Estate Corporation is represented by Mrs.Dee Hua T. Gatchalian.
** Rexlon Realty Group, Inc. is represented by Mrs.Dee Hua T. Gatchalian.
*** Ropeman International Corporation is represented by Mrs.Dee Hua T. Gatchalian.
**** The Wellex Group, Inc. is represented by Mrs.Dee Hua T. Gatchalian.

MARKET PRICE OF AND DIVIDENDS ON COMMON EQUITY

(1) Market Information

(a.) The shares of stock of the company are being traded in the Philippine Stock Exchange. The high and low sales price for each quarter within the last two (2) fiscal years and the current year are as follows:

	2017		2016		2015	
	High	**Low**	**High**	**Low**	**High**	**Low**
Q1	0.38	0.26	0.31	0.20	0.40	0.34
Q2	0.41	0.29	0.31	0.23	0.36	0.29
Q3	- x -	- x -	0.30	0.26	0.34	0.23
Q4	- x -	- x -	0.29	0.25	0.34	0.24

- The sales price as of September 6, 2017 was 0.53

- There were no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

(2) Holders
(3) Dividends

The number of holders of common shares as of June 30, 2017 was 709.

Names of the Top Twenty (20) shareholders as of June 30, 2017 the number of shares held, and the percentage of total shares outstanding held by each.

Rank	Stockholders Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation (Filipino)	688,525,350	47.631
2	Rexlon Realty Group, Inc.	200,000,000	13.836
3	Ropeman International Corp.	178,270,000	12.332
4	Recovery Real Estate Corp.	150,000,000	10.377
5	The Wellex Group, Inc.	143,892,990	9.954
6	PCD Nominee Corporation (Non-Filipino)	70,643,010	4.887
7	Recovery Development Corp.	3,000,900	0.208
8	Vicente C. Co	1,575,000	0.109
9	Richard Ricardo	1,230,000	0.085
10	Renato B. Magadia	1,000,000	0.069
11	Anthony Samuel Lee	900,000	0.062
12	International Polymer Corp.	718,000	0.050
13	Juliet Bangayan	545,000	0.038
14	Rodolfo S. Estrellado	500,000	0.035
15	Elvira A. Ting	500,000	0.035
16	Benison L.Co	364,000	0.025
17	Kenneth T. Gatchalian	320,000	0.022
18	Carolina G. Aquino	250,000	0.017
19	Betty S. Chan	250,000	0.017
20	Neptali A. Gonzales	250,000	0.017

The Company's Articles of Incorporation states that dividends may be declared only out of the unrestricted retained earnings. Thus, unless the Company's retained earnings position changes, the directors will not be able to legally declare any dividends on its common shares.

There were no cash dividends declared within the last two (2) fiscal years.

(4) Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction.

There has been no recent sale of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction.

Item 5. Directors and Executive Officers

1. Respective business experience of the Members of the Board of Directors and Officers covering the past five (5) years:

   a. **ARTHUR M. LOPEZ** – 70 years old, Filipino **(Chairman)**
      Country Representative – CCA Management B.V.
      Consultant – Bellevue Resort, Bellevue Suites and Palmerston Hotel
      Chairman – Acesite Philippines Hotel Corporation
      Director – Waterfront Hotels

   b. **KENNETH T. GATCHALIAN** – 40 years old, Filipino **(Vice-Chairman)**
      President – Wellex Industries, Inc.
      Vice President/Director – The Wellex Group, Inc.
      Treasurer/Director – Forum Pacific, Inc.

Vice Chairman – Waterfront Philippines, Inc.

c. **ELVIRA A. TING** – 56 years old, Filipino **(President/CEO)**
Director/ Vice Chairman – Forum Pacific, Inc.
Vice President – Wellex Industries, Inc.
Director/ Treasurer – Waterfront Philippines, Inc.
Treasurer /Director – Acesite Philippines, Inc.
Former Director – Metro Alliance Holdings
Chairwoman and President – Orient Pacific Corp.
Chairwoman and President – Rexlon Realty Group, Inc.
Corporate Treasurer – Pacific Rehouse Corp.
Chairwoman and President – Crisanta Realty& Development Corp
Chairwoman and President – Heritage Pacific Corp.

d. **JOAQUIN P. OBIETA -** 83 years old, Filipino **(Director/Corporate Secretary)**
Partner – Corporate Counsels, Phils.
Director – Forum Pacific, Inc.

e. **RENATO B. MAGADIA** – 79 years old, Filipino **(Director)**
Chairman – ZetaMark, Inc., Mabuhay Vinyl Corporation,
Metro Alliance Holdings & Equities Corporation
Vice Chairman – Acesite (Phils.) Hotel Corporation

a. **DEE HUA T. GATCHALIAN** – 68 years old, Filipino **(Director)**
President – Wellex Industries, Inc.
Vice President/Director – The Wellex Group, Inc.
Chairwoman and President – Westland Pacific Properties Corp.
Chairwoman and President – Palawan Estates Corp

f. **ARTHUR R. PONSARAN -** 73 years old, Filipino **(Director)**
Managing Partner – Corporate Counsels, Phils.
Director – Forum Pacific, Inc.
Chairman – Value Management & Options Corp. and Marfour Credit Corporation

g. **BYOUNG HYUN SUH – 61** years old, Korean **(Independent Director)**
President – Pan Islands, Inc.
President – National Unification Advisory Council Southeast Asia Chapter – R.O.K.
Independent Director – Forum Pacific, Inc.

h. **RICHARD L. RICARDO -** 55 years old, Filipino **(Director/ Treasurer)**
Vice President for Strategic Initiatives – The Wellex Group, Inc.
Vice President for Corporate Affairs – Acesite (Phils.) Hotel Corporation
Corporate Affairs Officer – Waterfront Philippines, Inc.
Director – Wellex Industries, Inc.
Director – Forum Pacific Inc.

Vice President for Corporate Affairs – Metro Alliance Holdings & Equities Corp.

i. **JAMES B. PALIT-ANG** – 53 years old, Filipino **(Director/VP- Property Management)**
   Chairman & President – Noble Arch Realty & Construction Corp.
   Chairman & President - Crisanta Realty Development Corp.
   Director & Corporate Treasurer – Pacific Rehouse Corporation
   Vice President – Forum Holdings Corp.
   Chairman and President – Pacific Concorde Corp.
   Treasurer – Metro Alliance Holdings & Equities Corp.

j. **SERGIO R. ORTIZ-LUIS, JR**.- 75 years old, Filipino **(Independent Director)**
   President – Philippine Exporters Confederation, Inc.
   Independent Director – Waterfront Philippines, Inc.
   Director – Rural Bank of Baguio
   Vice Chairman - Alliance Global, Inc.
   Independent Director – BA Securities

k. **MARIEL FRANCISCO** – 37 years old, Filipino **(Asst. Corporate Secretary)**
   Associate – Corporate Counsels, Philippines
   Corporate Secretary – Wellex Industries, Inc

Term of Office

The term of office of the Directors is one (1) year. All of the directors and executive officers, except for Messrs. Joaquin P. Obieta, Sergio R. Ortiz-Luis, Jr., James B. Palit-Ang and Richard L. Ricardo have served for fifteen (16) years. We take note of SEC Memorandum Circular No. 9 Series of 2011, regarding the Term Limits for Independent Directors and we are presently reviewing the term limits of our current Independent Directors.

The newly elected Directors elected the following Corporate Officers and Committee members during their organizational meeting to serve for the term 2016-2017:

a) Chairman	- Mr. Arthur M. Lopez
b) Vice Chairman	- Mr. Kenneth T. Gatchalian
c) President	- Ms. Elvira A. Ting
d) Treasurer	- Mr. Richard Ricardo
e) Corporate Secretary	- Atty. Joaquin P. Obieta
f) Asst. Corporate Secretary	- Atty. Mariel Francisco

AUDIT COMMITTEE

Mr. Byoung Hyun Suh	(Chairperson)
Mr. Arthur M. Lopez	(Member)
Mr. Richard Ricardo	(Member)

COMPENSATION COMMITTEE

Ms. Dee Hua T. Gatchalian	(Chairperson)
Ms. Elvira A. Ting	(Member)
Mr. Sergio Ortiz-Luis, Jr.	(Member)

NOMINATIONS COMMITTEE

Mr. Sergio Ortiz-Luis, Jr	(Chairperson)
Mr. Arthur Ponsaran	(Member)
Mr. Renato B. Magadia	(Member)

FINANCE COMMITTEE

Kenneth T. Gatchalian	(Chairperson)
Byoung H. Suh	(Member)
Atty. Arthur R. Ponsaran	(Member)
Jocelyn A. Valle	(Member)

RISK MANAGEMENT COMMITTEE

Sergio R. Ortiz-Luis, Jr.	(Chairperson)
Richard L. Ricardo	(Member)
Renato Magadia	(Member)

NOMINATION AND GOVERNANCE COMMITTEE

Sergio R. Ortiz-Luis, Jr.	(Chairperson)
Renato Magadia	(Member)
Atty. Arthur R. Ponsaran	(Member)

RELATED PARTY TRANSACTIONS COMMITTEE

Sergio R. Ortiz-Luis, Jr.	(Chairperson)
Byoung H. Suh	(Member)
Renato Magadia	(Member)

2. There is no person who is not an executive officer but expected by the registrant to make significant contribution to the business.

3. Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters.

4. None of the directors or officers of the registrant has been involved in any: (a.) Bankruptcy Petition, (b.) Violation of a Securities or Commodities Law, (c.) Conviction by final judgment, (d.) Nor has the foregoing officers been subjected to any order or decree, (e.) None of the foregoing incidents occurred during the past five (5) years up to 31 July 2016 that are material to, and for purposes of SEC's evaluation.

5. Certain Relationships and Related Transactions.

   The company used to be known as Philippine Cocoa Estates Corporation. The Company then had a total issued and outstanding capital stock of 25,121,603 shares, of which, 25,035,115 were owned by Benguet Management Corporation ("Benguet"). In December 1995, Benguet sold its 25,035,115 shares to the Wellex Group, Inc. ("Wellex"). At present, Wellex holds 143,892,990 shareholdings in the Company.

Board of Directors

The Corporation has adopted the SEC Circular No. 16 series of 2002 (Guidelines on Nomination and Election of Independent Directors) and pursuant to SRC Rule 38, compliance therewith has been made.

The nominees for election to the Board of Directors of the Corporation on October 6, 2017 are as follows:

1. Elvira A. Ting
2. Dee Hua T. Gatchalian
3. Arthur M. Lopez
4. Renato B. Magadia
5. Sergio R. Ortiz-Luis, Jr.
6. Arthur. R. Ponsaran
7. Joaquin P. Obieta
8. Richard L. Ricardo
9. Kenneth T. Gatchalian
10. James B. Palit-Ang
11. Byoung Hyun Suh

A summary of the nominees' qualifications is presented in the preceding paragraph.

The Nominations Committee conducts nominations and pre-screens the qualifications of candidates for Independent Directors prior to the stockholders' meeting in accordance with Sec. 5, Art. III of the Corporation's By-Laws. All the nominees for election to the Board of Directors satisfy the mandatory requirements specified therein.

The independent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of the independent directors are attached herewith as Annexes "A-1" and "A-2".

Pursuant to the process conducted by the Nominations Committee, the nominees for election as independent directors of the Board of Directors on October 6, 2017 are as follows:

Mr. Sergio R. Ortiz-Luis, Jr., 75 years old, Filipino, is an **Independent Director** of the Company. He also serves as the President of Philippine Exporters Confederation Inc., Director of Waterfront Philippines, Inc. Director of Rural Bank of Baguio and Vice-Chairman of Alliance Global, Inc.

Mr. Byoung Hyun Suh, 61 years old, Korean, is an **Independent Drector** of the Company. He also serves as the President of the Pan Islands, Inc., President of National Unification Advisory Council Southeast Asia Chapter – R.O.K. and as an Independent Director – Forum Pacific, Inc.

Mr. Ortiz-Luis, Jr. and Mr. Byoung Hyun Suh were nominated by stockholders, Mr. James B. Palit-Ang and Ms. Cora Corpuz, respectively. The stockholders who made the nomination are not in any way related to the nominees.

(2.) Significant Employees

Other than its current officers mentioned in the preceding sub-section, the Corporation has not engaged the services of any person who is expected to make significant contribution to the business of the Corporation.

(3.) Family Relationships

Ms. Dee Hua T. Gatchalian and Ms. Elvira A. Ting are sisters. Ms Dee Hua T. Gatchalian is the mother of Kenneth T. Gatchalian.

(4.) Involvement in Certain Legal Proceedings

Some of the directors and executive officers were involved in certain proceedings specifically: Lily Y. Part vs Elvira A. Ting, Arthur R. Ponsaran, Joaquin P. Obieta, Lisandro Abadia, Yolanda T. dela Cruz, Dee Hua T. Gatchalian, Kenneth T. Gatchalian, Arthur M. Lopez, Renato B. Magadia, James B. Palit-Ang and May Castillo, for violation of P.D. 957 and Syndicated Estafa. The same is pending with the Office of the City Prosecution of Iloilo City, and was consequently dismissed by the same office for lack of merit. The complainant in the same case elevated the matter to the Department of Justice on Petition for review. Neither of said respondents have been convicted by final judgment in any criminal proceedings, or has been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor, found in an action by any court or administrative bodies to have violated a securities and commodities law.

Item 6. Compensation of Executive Officers.

1. Estimated Compensation :

Name and Principal Position	*Year*		*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2017	P	840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Business Dev't (Vismin)	2017	P	600,000.00	0.00	P 50,000.00
MANOLO B. FERNANDEZ Chief Operating Officer	2017	P	864,000.00	0.00	P 72,000.00
JOCELYN A. VALLE Finance Head	2017	P	468,000.00	0.00	P 39,000.00
FERDINAND P. HALILI Operations Head	2017	P	420,000.00	0.00	P 35,000.00
BRANDO R. BULOSAN Planning and Design Head	2017	P	360,000.00	0.00	P 30,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2017 is P 3,848,000.00

No other member of the Board of Directors and Officers are receiving compensation.

Name and Principal Position	*Year*		*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ELVIRA A. TING President & CEO	2016	P	840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Business Dev't (Vismin)	2016	P	600,000.00	0.00	P 50,000.00
MANOLO B. FERNANDEZ Chief Operating Officer	2016	P	864,000.00	0.00	P 72,000.00
JOCELYN A. VALLE Finance Head	2016	P	468,000.00	0.00	P 39,000.00
FERDINAND P. HALILI Operations Head	2016	P	420,000.00	0.00	P 35,000.00
BRANDO M. BULOSAN Planning and Design Head	2016	P	360,000.00	0.00	P 30,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2016 is P 3,848,000.00

No other member of the Board of Directors and Officers are receiving compensation.

Name and Principal Position	*Year*		*Salary*	*Bonus*	*Other Annual Compensation (13th Mo.)*
ANTONIO A. HENSON President & CEO	2015	P	800,000.00	0.00	P 66,666.67
ELVIRA A. TING President & CEO	2015	P	840,000.00	0.00	P 70,000.00
JAMES B. PALIT-ANG VP – Business Dev't (Vismin)	2015	P	600,000.00	0.00	P 50,000.00
ROBERTO M. ANTONIO VP – Project Management	2015	P	450,000.00	0.00	P 37,500.00
MANOLO B. FERNANDEZ VP – Business Dev't (Luzon)	2015	P	432,000.00	0.00	P 36,000.00
JOCELYN A. VALLE Finance Head	2015	P	117,000.00	0.00	P 9,750.00
RIA CHRISTINA G. FRANCO Finance Head	2015	P	350,000.00	0.00	P 29,166.67
FERDINAND P. HALILI					

Operations Head	2015	P	420,000.00	0.00	P 35,000.00
BRANDO M. BULOSAN Planning and Design Head	2015	P	360,000.00	0.00	P 30,000.00

The estimated aggregate compensation of the members of the Board of Directors and Executive Officers as a group for the year 2015 is P 4,733,083.34

Ria Christina G. Franco was employed as Finance Head up to Oct. 2015. Jocelyn A. Valle assumed the position from Sept. 21, 2015.

No other member of the Board of Directors and Officers are receiving compensation.

2.Each member of the Board of Directors is given PhP10,000.00 per diem for attendance in a special or regular board meeting and PhP5,000 for attendance in a committee meeting.

Item 7. Independent Public Accountant

The Company's independent public accountant is the accounting firm of Diaz, Murillo, Dalupan and Co. The same external auditor might be recommended by the Board of Directors at the Annual Meeting of Stockholders. The representatives of the external auditor are expected to be present at the Meeting, where they will have the opportunity to make a statement if they so desire. Such representatives are also expected to be available to respond to appropriate questions.

Rotation of External Auditors

The Company in compliance with SRC Rule 68 Par. 3(B)(ix) expresses that its independent auditors, the accounting firm of Diaz, Murillo, Dalupan and Co. and the signing partners thereof shall be rotated after every five (5) years of engagement and that a two-year cooling off period shall be observed in the engagement of the same signing partner(s).

(a.) Audit and Audit-Related Fees

	YEAR	AMOUNT
1. Audit of Financial Statement	2015	511,500
	2016	511,500
2. No audit fees for other related services		
(b.) Tax Fees	2015	nil
	2016	nil

(c.) All other Fees

No other fees were billed and paid during the last two (2) fiscal years.

(d.) The external auditor regularly tenders an audit engagement proposal which the audit committee reviews. The audit committee looks into the audit plan, scope and frequency of the audit and regularly holds audit committee meeting with the external auditor

D. OTHER MATTERS

Item 8. Action with Respect to Reports

The following is the Agenda for the upcoming Annual Stockholders' Meeting:

1. Reading and approval of the Minutes of the 2016 Annual Stockholders' Meeting.
2. Reading and approval of the Annual Report.
3. Ratification of all acts of the Board of Directors and Management during the past year.
4. Election of directors for the ensuing term.
5. Appointment of external auditor.
   (This will include: Agreements with contractors, other corporations in pursuance of the business of the corporation where simple majority vote is required.)

The Minutes of the Annual Stockholders' Meeting held on October 14, 2016 contains the approval of the Minutes of the year 2015 Annual Stockholders' Meeting, the approval of the year 2015 Annual Report and the Audited Financial Statements, the ratification of the acts of the Board of Directors and management during the year 2015, the election of the external auditor and the election of the members of the Board of Directors.

The Annual Report contains the Business and General Information, Operational and Financial Information, Control and Compensation Information about the Company. The Audited Financial Statements for the year 2016 also forms part of the Annual Report.

Item 9. Other Proposed Action

The following are to be proposed for approval during the stockholders' meeting:

1. Approval of Minutes of the previous Stockholders' meeting
2. Presentation of the Annual Report and Audited Financial Statements for the calendar year 2016
3. Ratification of the acts of the Board of Directors and Management for 2016
4. Election of Members of the Board of Directors.
5. Appointment of External Auditor.
6. Amendment Articles of Incorporation specifically Article FOURTH regarding principal office address of Philippine Estates Corporation from Metro Manila to 35th Floor, One Corporate Center, Doña Julia Vargas Ave. corner Meralco Ave., Ortigas Center, Pasig City, Metro Manila pursuant to SEC Memorandum Circular No. 6 Series of 2014.
7. Other Business.

Item 10. Amendment of Charter, By-Laws & Other Documents

In accordance with the provisions of Rule 38 of the Securities Regulation Code (SRC), as amended, the Company on March 17, 2005, has amended its By-laws, to include provisions for the nomination and election of at least two (2) independent directors and provisions for the creation and functions of the Nominations Committee, Audit Committee and Compensation Committee.

Item 11. Voting Procedures

Article II, Section 5 (a.) and (b.) of the By-laws of the Corporation provides, as follows:

(a) At each meeting of the stockholders, the holders of a majority of the issued outstanding capital stock of the Corporation having voting powers, who are present in person or represented by proxy, shall constitute a quorum for the transaction of business, except, where otherwise provided by the Corporation Code.

(b) Unless otherwise provided by the Corporation Code, each stockholder shall at every meeting of the stockholders be entitled to one vote per person or by proxy, for each share with voting right held by such stockholder. At all meetings of the stockholder, all matters, except in cases where other provisions is made by the Corporation Code, shall be decided by the vote of stockholders representing majority of the issued and outstanding capital stock present in person or by proxy and entitled to vote thereat, a quorum being present. Unless required by the Corporation Code, or demanded by a stockholder present in person or by proxy at any meeting and entitled to thereat, the vote on any question need not be by ballot. On a vote ballot, each ballot shall be signed by the stockholder voting or in his name by his proxy, and shall state the number of shares voted by him.

(c) The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except, the election of directors, the stockholders are entitled to one vote per share. For the election of directors, the counting will be cumulative. The counting of votes will be done by the Corporate Secretary with the assistance of the representatives of the Corporation's independent auditor Diaz, Murillo, Dalupan and Co. and Stock Transfer Agent, Banco de Oro Stock Transfer Agency. All votes attaching to the shares owned by stockholders whose proxies were received by the Corporation will be cast in accordance with the instructions given or authority granted under proxies.

Item 12. Corporate Governance

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual and related SEC Circulars. Continuous improvement and monitoring of policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

The Board of Directors is elected during the annual meeting and has the overall responsibility to oversee the activities of the Company. The Board conducts itself with honesty and integrity to ensure a high standard of best practices on governance for the Company and to promote and protect the interest of the Company, its stockholders and other stakeholders.

The Company realizes its duty to protect the rights and benefits of shareholders and to place the importance on fair and equal treatment of shareholders. It is the Company‟s policy to disclose information with respect to business operation with accuracy and transparency, including any issues that could impact the Company‟s business and the rights in which shareholders and minority shareholders are entitled to, such as shareholders' participation in the shareholders' meeting to exercise their voting rights, the rights to receive dividend, or the rights to approve a decrease or an increase in capital, etc. The Board has similarly adopted a Corporate Governance Policy to ensure that the rights of its shareholders particularly those that belong to the minority or non-controlling group are respected and protected by adopting the principle of "one-share, one-vote", likewise by ensuring that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights and also by having an effective, secure and efficient voting system, and an effective shareholder voting mechanism to protect minority shareholders against actions of controlling shareholders. The Board also provides all shareholders with the notice and agenda of the Annual Stockholders‟ Meeting (ASM) at least twenty (20) days before the meeting.

The Company has an orientation program for all new employees being conducted by the Manager of Human Resources. The Company conducted a Strategic Planning attended by all the officers and staff last October 23, 2015. The Company in association with other affiliated listed companies has organized an in-house Corporate Governance Seminar last October 6, 2016. The seminar was conducted by SEC accredited training institution, ***Risk, Opportunities, Assessment and Management (ROAM)**, **Inc.*** and was held at the Manila Pavillion, in Ermita, Manila. The seminar was attended by Company‟s Board and executives. The Company also paid for registration fees for seminars which the Company's employees attended for continuing professional education such as Tax Seminar conducted by BIR, Disclosures Seminar by the Philippine Stock Exchange, Mandatory Continuing Legal Education and other seminars related with real estate development.

As of June 30, 2017, there are no known material deviations from the Company‟s Manual of Corporate governance.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance by conducting an in-house seminar in Corporate Good Governance which was held on August 17, 2017 at the Manila Pavillion in Ermita, Manila. This is to be attended by the Company‟s Board and top executives.

Other Notes to Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer's liquidity;**

  At present, the uncertainty that has a material impact on sales is the economic situation. Fortunately, the seemingly improving economic situation has now translated into a significant buying mood for the real estate market. As a result of this surge in sales of real estate, the Company is now gearing up its construction activities and will continue to do so to meet the growing market demand for developed real estate properties.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

  The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company.

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

  There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reported period.

- **Any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.**

  There were no material commitments for capital expenditures except those arising from the ordinary project development requirements that were well within the regular cash flow budget coming from internally generated funds.

- **Any known trends, events or uncertainties (Material Impact on Sales)**

  There were no known trends, events or uncertainties (Material Impact on Sales)

- **Any significant elements of income or loss (from continuing operations)**

  There were no significant elements of income or loss (from continuing operations).

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

  Projects are launched any time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

  Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks. The Company periodically reviews its capital structure and existing obligations.

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE REGISTRANT UNDERTAKES TO FURNISH SAID STOCKHOLDER A COPY OF SEC FORM 17-A FREE OF CHARGE, EXCEPT FOR EXHIBITS ATTACHED THERETO WHICH SHALL BE CHARGED AT COST. ANY WRITTEN REQUEST FOR A COPY OF SEC FORM 17-A SHALL BE ADDRESSED AS FOLLOWS:

PHILIPPINE ESTATES CORPORATION
35TH FLR. ONE CORPORATE CENTER
JULIA VARGAS COR MERALCO AVENUE
PASIG CITY, PHILIPPINES

Attention: Atty Mariel Francisco

CERTIFICATION

I, MARIEL L. FRANCISCO, of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after being duly sworn to in accordance with law, do hereby certify:

I am the duly elected Assistant Corporate Secretary of Philippine Estates Corporation, a corporation duly organized and existing under Philippine laws with principal office at 35th Floor of One Corporate Center, Doña Julia Vargas Ave. cor. Meralco Ave., Ortigas Center, Pasig City (the "Corporation");

All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality.

I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto set my hand this SEP 07 2017 day of September 2017 in the City of Pasig.

MARIEL L. FRANCISCO
Assistant Corporate Secretary
SSS ID NO. 33-8033971

Subscribed and sworn to before me this SEP 07 2017 at MANDALUYONG CITY affiant exhibiting to me her IBP ID with Roll No. 57260.

ATTY. JOSE B. DULNUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 0458-16
IBP Lifetime No. 0016085 /Pasig City, 4-27-2017
PTR NO. 69252527, 1-3-17, Cainta, Rizal
ROLL NO. 26304
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL 04-14-2019
D-22-AB GUEVENTVILLE II, 52 D.M.
GUEVARA ST., MANDALUYONG CITY
Tel No. 532-8858, 5334664
Email Add: jbdulnuan@gmail.com

Doc. No. 257
Page No. 52
Book No. 186
Series of 2017.

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (herein after the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine law, with principal address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify, that:

1 Mr. Byoung H. Suh is a nominee for the position of Independent Director of Philippine Estates Corporation;

2. The foregoing nominee possesses all the qualifications and none of the Disqualifications to serve as Independent Director of Philippine Estates Corporation as provided for in Section 38 of the Securities and Regulation Code (SCR) and its Rules and Regulations;

3. That the foregoing nominee have not exceeded the five (5) consecutive year term limit as expressly delineated under SEC Memorandum Circular No. 9 , Series of 2011.

IN ATTESTATION OF THE ABOVE, this Certification is signed this __ day of AUG 1 4 2017 2017, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

QUEZON CITY
SUBSCRIBED AND SWORN to before me, this AUG 1 4 2017 th day of ____________ 2017. at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060)

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/24/2016 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046 (2017-2018)
O.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

Doc. No. 268
Page No. 54;
Book No. 9A;
Series of 2017.

CERTIFICATE OF QUALIFICATION OF INDEPENDENT DIRECTORS

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (herein after the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine law, with principal address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify, that:

1. Mr, Sergio R. Ortiz-Luis, Jr. is a nominee for the position of Independent Director of Philippine Estates Corporation;

2. The foregoing nominee possesses all the qualifications and none of the Disqualifications to serve as Independent Director of Philippine Estates Corporation as provided for in Section 38 of the Securities and Regulation Code (SCR) and its Rules and Regulations;

3. That the foregoing nominee have not exceeded the five (5) consecutive year term limit as expressly delineated under SEC Memorandum Circular No. 9 , Series of 2011.

AUG 1 4 2017

IN ATTESTATION OF THE ABOVE, this Certification is signed this __ day of ____________ 2017, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary
TIN: 224150060

QUEZON CITY

SUBSCRIBED AND SWORN to before me, this AUG 1 4 2017 th day of ____________ 2017. at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 224-150-060)

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806848 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/24/2016 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046 (2017-2018)
O.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

Doc. No. 272
Page No. 55;
Book No. 9A;
Series of 2017.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BYOUNG HYUN SUH**, Korean, of legal age and a resident of Unit 2006B The Salcedo Place, Tordesillas St., Salcedo Village, Makati City after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since 2016.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Pan Islands, Inc.	President	Feb. 1995 – present
National Unification Advisory Council Southeast Asia Chapter – R.O.K	President	July 2009 – present
Forum Pacific, Inc.	Independent Director	June 2011 – present
Wellex Industries, Incorporated	Independent Director	June 2011 – present

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

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as 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 **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done this 01 SEP 2017 of ______, 2017 at QUEZON CITY.

BYOUNG HYUN SUH
Affiant
122-963-522

SUBSCRIBED AND SWORN to before me this 07 SEP 2017 day of ______ at QUEZON CITY, affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 25011834 issued at Makati City on January 06, 2017.

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Page No. 85
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Series of 2017

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806845 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/24/2016 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP 046 (2017-2018)
ADD.: NO 34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0026278- OCT. 29,2011

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SERGIO R. ORTIZ-LUIS, JR.**, Filipino, of legal age and a resident of 151 cor. 3rd St., & 10th Ave., Riverside Village, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **PHILIPPINE ESTATES CORPORATION** and have been its independent director since 2011.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Alliance Global Inc.	Vice Chairman	2007 – present
Waterfront Phils., Inc.	Independent Director	2005 – present
B.A. Securities	Independent Director	2012 – present
Wellex Industries, Incorporated	Independent Director	2016 – present
Waterfront Manila Premiere Development, Inc.	Director	2017

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

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as 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 **PHILIPPINE ESTATES CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

07 SEP 2017 QUEZON CITY

Done this ____ of ______, 2017 at______________.

SERGIO R. ORTIZ-LUIS, JR.
Affiant

07 SEP 2017 QUEZON CITY

SUBSCRIBED AND SWORN to before me this ______ day of ________ at__________ affiant personally appeared before me and exhibited to me his ______________ issued at __________ on ____________.

TIN NO. 107-846-762

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Book No. 4
Series of 2017

ATTY. BENJAMIN P. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11 ... 16 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046 (2017-2018)
ADD.: NO.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

UNDERTAKING

A copy of SEC Form 20-IS will be provided free of charge upon written request to the Following:

CORPORATE SECRETARY
Philippine Estates Corporation
Units 3503 and 3504
35th Floor, One Corporate Center
Julia Vargas Ave. corner Meralco Ave.
Ortigas Center, Pasig City
Metro Manila

PART III

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 C of Pasig on _____________, 2017.

SUBSCRIBED AND SWORN to before me this day AUG 1 4 2017 at Q.C.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/24/2016 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046 (2017-2018)
O.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

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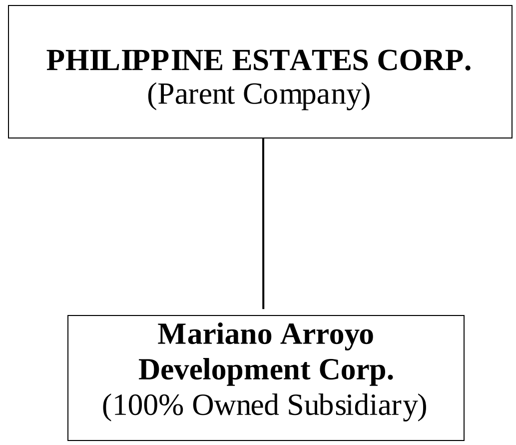
ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

TIN: 224 500 60

MANAGEMENT'S REPORT

(Note: Audited Financial Statement and Interim Financial Statement is hereto attached as Annex "A" and made as an integral part hereof.)

Conglomerate map showing the relationship between parent company and its subsidiary.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except as otherwise stated.

<u>Statement of Compliance</u>

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

<u>Basis of Preparation</u>

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

<u>Functional and Presentation Currency</u>

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

<u>Changes in Accounting Policies and Disclosures</u>

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs which were adopted as at January 1, 2016.

Annual Improvements to PFRS 2012-2014 Cycle

The annual improvements addressed the following issues:

PFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations - Reclassification of Asset from Held for Sale to Held for Distribution or Vice Versa. The amendment adds specific guidance in for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

PFRS 7 (Amendment), Financial Instruments: Disclosures - Continuing Involvement in a Transferred Asset and Offsetting Disclosures in Condensed Interim Financial Statements. The amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

PAS 19 (Amendments), Employee Benefits - Discount Rate for Post-Employment Benefits. The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

PAS 34 (Amendments), Interim Financial Reporting - Disclosure of Information Elsewhere in the Interim Report. The amendments clarify the requirements relating to information required by PAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms at the same time as the interim financial statements.

The application of the above improvements has no impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after January 1, 2016.

PAS 1 (Amendment), Presentation of Financial Statements - Disclosure Initiative. This amendment gives some guidance on how to apply the concept of materiality in practice. This also provides additional guidance for line items to be presented in statement of financial position and statement of comprehensive income and also introduce new requirements regarding the use of subtotals. Further, the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. Guidance and examples are also removed with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The amendment has no material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PAS 16 (Amendments), Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation. These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment has no impact on the financial statements as the Group's depreciation method is not based on revenue.

PAS 38 (Amendments), Intangible Assets - Clarification of Acceptable Methods of Amortization. These amendments introduce rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the IASB states that there are limited circumstances when the presumption can be overcome, (a) the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and (b) it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset). The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the consolidated financial statements as the Group has no intangible assets.

PAS 16, Property, Plant and Equipment, and *PAS 41, Agriculture - Bearer Plants (Amendments).* The amendments clarify that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' 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. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the consolidated financial statements as the Group has no bearer plants.

PAS 27 (Amendments), Separate Financial Statements - Equity Method in Separate Financial Statements. These amendments permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the Group's financial statements.

PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments). The amendments clarify that (a) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarify that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. Moreover, the amendments clarify that in applying the equity method to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary or joint venture that qualifies as an investment entity.

PFRS 11 (Amendment), Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations. The amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3 to: (1) apply all of the business combinations accounting principles in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11; and, (2) disclose the information required by PFRS 3 and other PFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in PFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment has no material effect in the consolidated financial statements as the Group does not have interests in joint operations.

PFRS 14, Regulatory Deferral Accounts. This new standard permits an entity which is a first-time adopter of Philippine Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Entities which are eligible to apply this standard are not required to do so, and so can chose to apply only the requirements of PFRS 1 when first applying PFRSs. However, an entity that elects to apply this standard in its first PFRS financial statements must continue to apply it in subsequent financial statements. This standard cannot be applied by entities that have already adopted PFRSs. The standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

The standard is not applicable to the consolidated financial statements since the Group is not subject to rate regulations.

New accounting standards and amendments to existing standards effective subsequent to January 1, 2016

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

PAS 7 (Amendments), Statement of Cash Flows - Disclosure Initiative. The amendments require to provide disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The amendments will result in added disclosures to reflect the cash and non-cash changes in liabilities arising from financing activities.

PAS 12 (Amendments), Income Taxes - Recognition of Deferred Tax Assets on Unrealized Losses. These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments also clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The amendments will not have a material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

Annual Improvements to PFRS 2014-2016 Cycle

The annual improvements addressed the following issues:

PFRS 1 (Amendments), First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions for First-time Adopters. The amendments deleted some short-term exemptions for first-time adopters and the related effective date paragraphs as the reliefs provided were no longer applicable and had been available to entities only for reporting periods that had passed. The amendments are effective for annual periods beginning on or after January 1, 2018.

PFRS 12 (Amendments), Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard. The amendments clarify the scope of PFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10–B16, apply to an entity's interests that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are effective for annual periods beginning on or after January 1, 2017 and shall be applied retrospectively.

PAS 28 (Amendments), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value. The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2018 and shall be applied retrospectively. However, early application of these amendments is permitted.

The application of the above improvements will have no impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PAS 40 (Amendments), Investment Property – Transfers of Investment Property. The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will not have a material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PFRS 2 (Amendments), Share-based Payment - Classification and Measurement of Share-based Payment Transactions. The amendments address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PFRS 4 (Amendments), Insurance Contracts - Applying PFRS 9 Financial Instruments and PFRS 4 Insurance Contracts. The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:(a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and (b) an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. An entity would apply the overlay approach retrospectively to designated financial assets, when it first applies PFRS 9. An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PFRS 9, Financial Instruments. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the consolidated financial statements as the Group's financial assets and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

PFRS 15, Revenue from Contracts with Customers. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in that framework is that an entity should 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. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The management is still evaluating the impact of the above new standard on the Group's consolidated financial statements.

PFRS 15 (Amendments), Revenue from Contracts with Customers – Clarifications to PFRS 15 Revenue from Contracts with Customers. This addresses clarifying amendments to PFRS 15 and introduced a transitional relief for entities applying the standard for the first time. The focus of these amendments is on clarifying the application of PFRS 15 when (a) identifying performance obligations by clarifying how to apply the concept of 'distinct', (b) determining whether an entity is acting as principal or an agent in a transaction by clarifying how to apply the control principle, and (c) assessing whether a license transfers to a customer over time or at a point in time by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights. The amendments also add two practical expedients to the transition requirements of PFRS 15 for completed contracts under the full retrospective transition approach and contract modifications at transition. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The management is still evaluating the impact of the above amendments on the Group's consolidated financial statements.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The interpretation will have no significant impact on the Group's consolidated financial statements.

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application not permitted until the FRSC has adopted the IFRS 15, Revenue from Contracts with Customers.

The management is still evaluating the impact of the above new standard on the Group's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and a subsidiary controlled by the Parent Company as at reporting date. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect these returns through its power over the subsidiaries.

A subsidiary is consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

On acquisition, the assets and liabilities and contingent liabilities of subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is credited to profit or loss in the period of acquisition.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Group.

Audited Financial Statements and Interim Financial Statements

There were no disagreements with the former and present accountants and auditors on any matter of accounting and financial disclosures.

Reconciliation of retained earnings available for dividend declaration.

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

Consolidated Statements of Changes in Equity as of December 31, 2016

CAPITAL STOCK -	**PhP 1,445,549,830**
DEFICIT	
At beginning of year	(397,175,318)
Net income for the year	1,975,681
At end of year	(395,199,637)
RE-MEASUREMENT GAIN ON RETIREMENT BENEFITS	
At beginning of year	2,580,350
Re-measurement gain for the year	696,000
At end of year	3,276,350
	PhP1,053,626,543

*Based on the above reconciliation, no dividends would be declared as of

Financial Soundness Indicators in two comparative periods.

INDICATOR	2016	2015
Current Ratio	1:6.27	1:5.18
Debt-to-Equity Ratio	1:0.34	1:0.37
Asset-to-Equity Ratio	1:1.34	1:1.37
Return on Sales	2.84%	0.90%
Past Due Ratio	NA	NA
Gross Profit Rate	58.86%	55.29%
Working Capital Turnover	0.10	0.19
Sales Variance	-35.25%	4.00%

NATURE AND SCOPE OF BUSINESS OF THE REGISTRANT

The Company was incorporated on May 30, 1983 as "Philippine Cocoa Estates Corporation" under Securities and Exchange Commission (SEC) Registration No. 11297, with an authorized capital stock of only P1 million. Its primary purpose was to engage in all phases of agriculture. On February 29, 1984 its authorized capital stock was increased to P140 million. In November of that same year, the Company became a publicly listed company.

In 1987, the SEC approved two increases in the authorized capital stock of the Company: the first one on May 8 raising the capital to P180 million; and the second one on October 22, raising it further to P300 million.

In 1996, The Wellex Group, Inc. gained majority control of the Company and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer utilizing state-of-the-art design and technology to build projects with the highest quality and value.

To align the Company to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, the SEC approved the proposed changes, namely: (a.) The change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b.) The change in the corporate name to reflect the new business focus; (c.) The removal of the Class "A" and Class "B" classification of the Company's shares; and (d.) The change in the par value of the shares from PhP10.00 to PhP1.00 per share.

Towards achieving its corporate vision, the Company filed an application to increase its authorized capital stock from PhP300 Million to PhP5 Billion. Out of this increase of PhP4.7 Billion, the amount of PhP1,194,333,800.00 was subscribed and paid up by five (5) corporate investors. The principal part of the subscription was paid up by way of transfers to the Company of forty five (45) parcels of land valued at PhP1,161,833,800.00, while a smaller portion of the subscription, amounting to PhP32,500,000.00 was paid through conversion of debt into equity. The increase in authorized capital stock was approved by the SEC on March 26, 1997.

(2) Business Issuer:

With the acquisition of real properties by virtue of its agreement with Rexlon Realty Group, Inc., Recovery Real Estate Corporation, Ropeman International Corporation, The Wellex Group, Inc. and Pacific Rehouse Corporation, the Company immediately conducted a study to determine the "highest and best use" of its real estate holdings for the purpose of enhancing their value and maximizing the returns to the stockholders. Based on the study conducted, the following are the projects were undertaken by the Company:

COMPLETED PROJECTS:

1. ***Pearl of the Orient Tower.***

   A 42-storey office-residential-recreational condominium tower in Roxas Boulevard, Manila.

2. ***Metrotech Industrial Park Valenzuela (formerly; Plastic City Industrial Park).***

   A 30-hectare, modern industrial park in the booming city of Valenzuela.

3. ***Pacific Grand Villas Phase 1.***

   The first phase of the successful Mediterranean-inspired residential community in the highly urbanized city of Lapu-lapu, Cebu.

4. ***Pacific Grand Villas Phase II.***

   The second completed project in Lapu-lapu City, Cebu, with bigger lot cuts than Phase 1 and new house models.

5. ***Pacific Grand Villas Phase III.***

   The third in the series of thriving Pacific Grand Villas communities in Lapu-lapu City, Cebu.

6. ***Chateaux Geneva.***

   A 10-hectare Swiss-Victorian themed community in the prime district of Jaro, Iloilo City.

ONGOING / CURRENT PROJECTS:

- ***Pacific Grand Villas Phase IV.***

  Phase 4 of Pacific Grand Villas features some 356 prime residential lot units. In this project we introduced at least four more new house models to satisfy the evolving demands of the market. This project caters also to an international blend of buyers, just like the earlier phases, making Pacific Grand Villas an international community that meets global standards and lifestyle.

- ***Pacific Grand Townhomes Phase 1***

  The Pacific Grand Townhomes is a middle-class Victorian-themed townhouse project located in Lapu-Lapu City. It boasts of the exclusivity of a pocket community, consisting of 43 units of elegantly designed houses.

  This stylish community is proximate to private and public institutions, recreational areas, schools, resorts, business and trade centers..

- ***Costa Smeralda***

  The second of our exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. Offering 395 lot-units, we introduced in this village four trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers.

- ***Joint Project with Amaia Land (an Ayala Land company) for a residential subdivision in Cavite.***

  The company has entered into a memorandum of agreement with Amaia Land (an Ayala Land Company) for the development of its 16-hectare property in General Trias, Cavite into a residential subdivision. The property is now being developed as part of the AmaiaScapes residential project, offering affordable house-and-lot packages.

- ***Aureville (Renamed Wellford Homes – Jaro)***

  Launched in December 2016, this project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for- money. Consisting of about 10 hectares, the initial offering is an American inspired two bungalow-type house model.. These single-level houses are very much suited also for senior citizens and retirees. The land development, house construction and sales is in full swing.

PROJECT IN THE PIPELINE

1) ***Wellford Homes – Malolos***

   Responding to the current housing backlog in the Metropolitan Manila area, PHES is gearing up to launch Wellford Homes – Malolos. The development is a short distance from McArthur Highway and a few kilometers away from downtown Malolos. The 8 hectare project has 5 Phases and will be a mixed use subdivision comprising of house and lots, lot only and commercial units when completed. Construction is expected to commence by 1st quarter of 2018.

2) ***Wellford Homes(North) – Jaro***

   Following the successful launch of Wellford Homes – Jaro, the Company is poised to develop the 2nd phase of the project, Wellford Homes North. This 7.4 hectare subdivision will have a total of 326 saleable units composed of house and lot packages, residential lots and commercial lots as well. It will have the same theme as the first Wellford Homes - Jaro, Modern American inspired houses. This is set to be launched by 2nd quarter of 2018.

3) ***Win Residences – Mactan (Renamed Wellford Residences - Mactan)***

   As the Company"s answer to the housing backlog in the economic sector, PHES is set to launch Wellford Residences – Mactan, two medium rise condominium project in one of its prime and highly accessible properties in Mactan, Cebu. Located in Barangay Suba-basbas in the Cityof LapuLapu, the project will offer around 300 condo units and is expected to generate for the Company approximately P 300M in Revenue. Launch is expected by 1st quarter of 2018.

4) ***Win Plaza – Mactan***

   Strategically located in the City of Mactan, adjoining the upscale and highly successful Pacific Grand Villas community and along the ML Quezon Circumferential Road connecting Cordoba and Mactan airport, the Company plans to start the construction of its first commercial strip which will feature retail and commercial shops as well as BPO Offices and a high-end international school campus. The commercial strip, which will serve as anchor development for Win Plaza - Mactan, is expected to be complete by 1st Quarter of 2018 and will provide around 10,000 SQM of leasable space for the company and projected annual lease revenue of P 50 Million. We are currently deferring the project until further evaluation is completed.

5) ***Win Hotel – Mactan***

As part of the Win Plaza – Mactan development, the Company plans to launch for 2016 this condotel project right at the corner of ML Quezon Highway and the PGV Grand entrance. Its location is very ideal as soon as the on-going Mactan-Cebu third bridge is completed. This 10-storey condotel will be offering approximately 525 fully-furnished and air-conditioned condominium suites which upon completion shall be pooled together to be operated as a hotel. Win Hotel – Mactan also seeks to address the lack of budget hotels in Mactan while addressing the growing demand of property ownership for foreigners. The project is expected to generate for the Company approximately P 1.4B in Revenue and a lease revenue of P 8 Million a year with its 1,470 sqm leasable commercial spaces in the ground floor. The Management is still conducting a thorough assessment and is deferring the project for now.

6) ***Pacific Grand Townhomes Phase II***

A very exclusive, pocket townhouse enclave, stylishly Mediterranean but with a *moderne* twist. Just right for young upwardly-mobile professionals or starter families, though equally attractive as full-family dwellings. Located in the hub of city conveniences, and all the fun of living in the resort city island setting of Mactan. We are deferring the development of the project until further evaluation is completed

7) Jaro Grand Estates – South.

Commercial-Institutional / Mixed-use estate strategically located just 3.3 kilometers away from Jaro Plaza, the Jaro Grand Estates (**JGE**)`is a 100-hectare master-planned community near Iloilo City‟s major hubs including colleges and universities, commercial and business areas, hospitals and government centers, air and sea ports. It integrates several land uses into a singular development. JGE is divided into 2 major enclaves: the JGENorth, comprising of at least five themed residential villages, and the JGE-South that is planned for commercial mixed-use developments. When completed, the 40-hectare JGE-South is envisioned to feature its own commercial and restaurant strips, office and business centers, education area, and a hotel and tourist district.

8) ***Residential Projects in Luzon – Cavite, Bulacan, and other Luzon Growth Areas.***

Philippine Estates Corporation continues to pursue project prospects in select locations in CALABARZON to the South, and Bulacan, Pampanga and Tarlac to the North.

9) .Mixed-use development ventures in Metro Manila and Cebu.

Philippine Estates Corporation has been eyeing to engage in commercial real estate development as a natural offshoot of its experience and expertise in developing a variety of projects in different market categories. The Company has already been into horizontal subdivision, high-rise condominium and industrial park developments.

The Company is seriously considering the very lucrative potential of at least three select sites in Metro Manila - Ortigas, Malate, and Quezon City – and another site in Cebu. The plan is to build high-rise residential and office-commercial towers, with shopping, entertainment, and health-and-leisure components.

The Company is also conducting earnest feasibility studies of going into mixed-use developments that may include residential, commercial and office components and mid-rise structures in Metro Manila.

10) ***Condominium and upscale housing with commercial component, 21 hectares in Valenzuela.***

Philippine Estates Corporation has teamed up with several other corporate landowners for a proposed development with Avida Land Corporation (a wholly-owned subsidiary of Ayala Land) of the prime estate in Valenzuela City, into a project that includes condominiums, upscale housing, and commercial components.

FINANCIAL AND OTHER INFORMATION:

a.) Information Required:

(1) The Audited Financial Statement as of 31 December 2016 are attached hereto. The notes to Financial Statements, as well as Statement of Management Responsibility, and schedules required under Part IV(C) OF RULE 68 is included in the Annual Report (Form 17-A).

Also attached hereto are the Interim Financial Statements as of June 30, 2017 being also required under PART IV(C) OF RULE 68 (SEC Form 17-Q).

(2) MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN/RESULTS OF OPERATIONS.

A) FULL FISCAL YEAR:

Results of Operations:

In 2016, the Company was able to post a consolidated net sales of P 69.50M compared to P 123.80M sales of 2015 which shows a decrease of 43.86%.. Notwithstanding the slump in sales the Company manage to have a net income after tax of P 1.97M, or P 0.87M higher than 2015‟s P 1.11M, an increase of 78.38%. This is due to increase in realized gross profit from previous years sales brought about by the acceleration in project completion.

The Company‟s current ratio registered at 1:6.27. Current Assets reached P 870.30M while Current Liabilities registered at P 138.77M. Debt-to-equity ratio registered at 1:0.34. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at P 1.41B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company‟s performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company‟s ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	**2016**	**2015**
Return on Sales	2.84%	0.90%
Past Due Ratio	N/A	NA
Gross Profit Rate	58.86%	55.29%
Working Capital Turnover	0.10	0.19
Sales Variance	-35.25%	4.00%

Financial Condition:

Causes of material changes from period to period of financial statements:

a. Cash – the decrease of 22.19% was basically attributable to catch-up payments of prior years‟ payables and current payables particularly to contractors to fast track completion of on-going projects.

b. Current Trade Receivables – the decrease of 11.70% was due to the slide in sales

c. Deferred Tax Assets – the significant decrease of 50.27% was due to the expiration of the Company‟s Net Operating Loss Carry-Over (NOLCO) from prior years

d. Accounts Payable and Other Liabilities – the decrease of 19.11% was due to timely payments made to contractors and suppliers
e. Deferred Gross Profit – the decrease of 43.33% was due to higher percentage of completion of the projects.

f. Deferred Tax Liability – the increase of 25.91% was due to adjustment on Deferred Gross profit

ANALYSIS OF PRIOR YEAR OPERATIONS AND FINANCIAL CONDITION:

YEAR ENDED DECEMBER 31, 2015 VS. YEAR ENDED DECEMBER 31, 2014

Results of Operations:

In the year 2015, the Company was able to post a consolidated net sales of P123.804M compared to P118.708M sales of 2014 which shows an increase of 4.29%.

The Company‟s current ratio registered at 1:5.18. Current Assets reached P883.336M while Current Liabilities registered at P170.690M. Debt-to-equity ratio registered at 1:0.37. The Balance Sheet shows accounts indicative of positive liquidity condition. Total assets registered at 1.442B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via-a-vis forecasted sales.

INDICATOR	2015	2014
Return on Sales	0.90%	11.26%
Past Due Ratio	N/A	15.17%
Gross Profit Rate	55.29%	53.02%
Working Capital Turnover	0.190	0.095
Sales Variance	4%	-24.04%

Financial Condition:

Causes of material changes from period to period of financial statements

a) Current Trade Receivables – the decrease of 29.83% was due to improved collection on sales

b) Accounts Payable and Accrued Expenses – the decrease of 29.15% was due to payment to contractors and suppliers

c) Retention Payable and Guaranty bonds – the 3.92% decrease pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

d) Deferred Gross Profit – the increase of 3.48% was due to sales generated for the year

YEAR ENDED DECEMBER 31, 2014 VS. YEAR ENDED DECEMBER 31, 2013.

In the year 2014, the company was able to post a consolidated net sales of PhP118.708M compared to PhP189.779M achievement of 2013 which shows a decrease of 37%.

The Company's current ratio registered at 3.99:1. Current Assets reached PhP817.886M while Current Liabilities registered at Php205.184M. Debt-to-equity ratio registered at 0.38:1. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at PhP1.455B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a) Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.

b) Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c) Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d) Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.

e) Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via-a-vis forecasted sales.

INDICATOR	2014	2013
Return on Sales	11.26%	18.72%
Past Due Ratio	15.17%	28.09%
Gross Profit Rate	53.02%	43.30%
Working Capital Turnover	0.095	0.098
Sales Variance	-24.04%	-9.08%

Financial Condition:

Causes of material changes from period to period of financial statements

a) Cash and Cash Equivalents – the significant increase of 391.56% was basically attributable to improved collection on sales, proceeds from loans and settlement from Kumassie plantation

b) Prepayments and other current assets – the 11.98% decrease was due to usage of creditable withholding taxes.

c) Current Trade Receivables – the decrease of 12.14% was due to improved collection on sales

d) Deferred Tax Liability – the 16.00% decrease was due to adjustment on Deferred Gross Profit

e) Accounts Payable and Accrued Expenses – the decrease of 14.60% was due to payment to contractors and suppliers

f) Loans Payable – the increase of 7.52% was the result of additional loan availed from CV Financial Corporation

g) Retention Payable and Guaranty Bonds – The 26.45% decrease pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

h) Deferred Gross Profit – the increase of 20.99% was due to sales generated for the year.

i) Retirement benefit liability – the 82% decrease was due to the revaluation of retirement benefit obligation based on the expense recognized in 2013.

YEAR ENDED DECEMBER 31, 2013 VS. YEAR ENDED DECEMBER 31, 2012.

In the year 2013, the company was able to post a consolidated net sales of PhP189.779M compared to PhP92.987M achievement of 2012 which shows an increase of 104%.

The Company's current ratio registered at 3.57:1. Current Assets reached PhP810.617M while Current Liabilities registered at PhP227.196M. Debt-to-equity ratio registered at 0.44:1. The balance sheet shows accounts indicative of positive liquidity condition. Total assets registered at PhP1.493B.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauge its performance by determining the return on sales (net income after tax over the net sales). It indicates net profitability of each peso of sales.
b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing of credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current obligations. Working capital turnover is calculated by dividing Cost of Sales over Net Working Capital.

e. Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via-a-vis forecasted sales.

INDICATOR	2013	2012
Return on Sales	18.72%	18.72%
Past Due Ratio	28.09%	23.37%
Gross Profit Rate	43.30%	47.98%
Working Capital Turnover	0.098	0.098
Sales Variance	-9.08%	-62.81%

Financial Condition:

Causes of material changes from period to period of financial statements

a. Cash and Cash Equivalents – the decrease of 70.01% was basically attributable to improved payment of prior years' payables and current payables particularly to contractors and to finance on-going projects

b. Pre-payments and other current assets – the 40.30% increase was due to creditable withholding taxes paid

c. Non-current trade receivables – the increase of 29.68% was due to increased sales

d. Deferred Tax Assets – the 470.81% decrease was due to adjustment on Deferred Gross Profit

e. Loans Payable – the increase of 55.99% was the result of additional loan availed from CV Financial Corporation amounting to P30M

f. Advances from Related Parties – the increase of 66.83% was due to advances from related parties for working capital requirements.

g. Retention Payable and Guaranty Bonds – the 18.21% increase pertains to the 10% retained payment of each progress billing of contractors to be paid until full completion of the contract of on-going projects.

h. Deferred Gross Profit – the increase of 9.69% was due to increase in sales.

i. Customers' Deposits – the decrease of 28.85% was due to increase in reported sales

j. Retirement benefit liability – the 100% increase was due to the expense recognized for the year based on valuation for 2013.

COVER SHEET

1 1 2 9 7 8

SEC Registration No.

P H I L I P P I N E   E S T A T E S   C O R P O R A T I O N

(Company's Full Name)

3 5 T H   F L R   O N E   C O R P O R A T E   C E N T E R

J U L I A   V A R G A S   C O R   M E R A L C O   A V E

O R T I G A S   C E N T E R   P A S I G   C I T Y

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

JOCELYN A. VALLE

Contact Person

637-3112

Contact Telephone No.

1 2   3 1

Fiscal Year

S E C - 1 7 Q

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

C F` D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

SEC Number **<u>112978</u>**
File Number ______

PHILIPPINE ESTATES CORPORATION
Company's Full Name

35TH Flr. One Corporate Center, Julia Vargas cor. Meralco Ave.,Ortigas Center, Pasig City
Company's Address

637-3112
Telephone Number

DECEMBER 31
Fiscal Year Ending
(Month and day)

SEC-FORM 17-Q
Form Type

N.A.

Amendment Designation(If applicable)

June 30, 2017
Period Ended Date

N.A.

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS AUG 0 8 2017

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2017**

2. Commission identification number **112978**

3. BIR Tax Identification No. **000-263-366**

PHILIPPINE ESTATES CORPORATION

4. Exact name of registrant as specified in its charter

Metro Manila, Philippines

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

6. Industry Classification Code: SEC Use Only

35th Flr., One Corporate Center, Julia Vargas cor. Meralco Ave., Ortigas Center, Pasig City

7. Address of issuer's principal office

(632) 637-3112

8. Issuer's telephone number, including area code

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

10. Securities registered pursuant to Section 4 and 8 of the RSA: Common shares **5,000,000,000** with par Value of P1.00 per share

    Number of Shares Common Stock Issued Outstanding**: 1,445,549,830 Common** Shares

    Amount of Debt Outstanding: **P 95,828,406 (as per Financial Statements)**

11. Are any or all of the securities listed on the Philippine Stock Exchange?

    Yes[**x]** No[ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

    a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA|) and RSA Rule 11(a)-1 hereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such report)

       Yes[**x**] No[ ]

    b) has been subject to such filing requirements for the past 90 days

       Yes**[X**]No[ )

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The Quarterly Financial Statements of the Company for the period ending June 30, 2017 are incorporated herein by reference and attached as an integral part of this Quarterly Report.

Statement of Compliance

The Financial Statements of the Company have been prepared in accordance with Statements of Financial Accounting Standards of the Philippines issued by the Accounting Standards Council.

Earnings per Share

Basic Earnings per share is determined by dividing the Net Income by the weighted average number of shares issued and subscribed during the period.

Financial Information

a. The management maintains the same system of accounting policies and methods of computation in the Interim Financial Statements.

b. There were no changes in accounting estimates of amounts reported in interim periods of current financial year or even in prior financial years

c. There were no issuances, repurchases and repayments of equity securities

d. There were no changes in the composition of the issuer during the interim period i.e. Business Combinations, Acquisitions, or Disposal of Subsidiaries and Long-term Investments, Restructuring and Discontinuing operations

f. There were no dividends declared and paid on the Company's Common Equity.

g. There have been no material events that happened subsequent to the interim period that needs disclosure herein.

h. The Company is contingently liable for existing lawsuits and claims from third parties arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the Financial Position and Operating Results of the company's operations.

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

1. Plan of Operation

The Company is continuously evaluating number of alternatives and measures for generating liquidity to meet material commitments for capital expenditures for the development of the projects. Some of the more significant measures are as follows:

- Thorough collection of Account Receivables
- Launching of subdivision projects catering to the middle income market
- Regular review of development costs matching the pace of development with fund availability and thorough review and adjustment of sales price and terms of payment
- Negotiations for the purchase of rawlands for its landbanking and future developments

The Company continues to develop and generate cash flow through the following projects:

- ***Pacific Grand Villas Phase IV-A & B***

  Phase 4 of Pacific Grand Villas features some 356 prime residential lot units. In this project we introduced at least four more new house models to satisfy the evolving demands of the market. This project caters also to an international blend of buyers, just like the earlier phases, making Pacific Grand Villas an international community that meets global standards and lifestyle.

- ***Pacific Grand Townhomes Phase 1***

  The Pacific Grand Townhomes is a middle-class Victorian-themed townhouse project located in Lapu-Lapu City. It boasts of the exclusivity of a pocket community, consisting of 43 units of elegantly designed houses. This stylish community is proximate to private and public institutions, recreational areas, schools, resorts, business and trade centers.

- ***Costa Smeralda***

  The second of our exclusive residential communities in Iloilo City, Costa Smeralda is themed after the famed Italian coastal resorts. Offering 395 lot-units, we introduced in this village four trendy yet sophisticated house designs of varying floor areas, blending form and function to perfectly suit the requirements of discriminating buyers.

- ***Wellford Homes – Jaro (formerly known as Aureville)***

  This project is our third residential community in Iloilo City. The house-and lot packages are mainly designed for homebuyers inclined for economy, maximizing value-for-money. Consisting of about 10 hectares, the initial offering is an American inspired two bungalow-type house model.. These single-level houses are very much suited also for senior citizens and retirees. The project was launched in November 2016, with the land development and house construction well underway.

2. Financial Position

The Company maintained its Financial Position as its total assets stood at P1.47B. Current ratio registered at 5.02:1. Current assets reached P917.89M while current liabilities amounted only to P182.79M. Debt –to- equity ratio stood at 0.39:1 The Balance Sheet shows that accounts are indicators of positive liquidity condition. Hereunder are the significant or material changes in the Balance Sheet accounts as of June, 2017.

Causes for material changes (5% or more) from period to period:

a. Cash and Cash Equivalents – the significant increase of 68.40% is basically attributable to the proceeds from buyers' bank take-out and from borrowings for working capital.

b. Trade Receivables – the increase of 9.93% is attributable to increased sales during the 2nd quarter of 2017.

c. Advances to/from Related Parties – the 13.0% increase was due to Advances availed by related parties from the Company for their working capital requirements.

d. Accounts Payable, Loans Payable and Accrued Expenses – the significant increase by 56.93% is mainly from CTS Financing availed from Central Visayas Financing Corp. (CVFC) and Luzon Development Bank (LDB).

e. Deferred Gross Profit – the increase of 13.51% is recognized as a liability because there is lag between the sales vis-a-vis percentage of completion of sold inventory. The sales cannot be recognized in its entirety until sold unit(s) are completed and turned-over to buyers.

f. Customers Deposits – the 97.89% increase is due to paid sales reservations which are not yet booked as sales due to documentation deficiency such as signed Contract To Sell (CTS) and issuances of other documentary requirements.

3. Result of Operations

The Company continues to generate revenue from the regular sources of operations which is the sales of house and lot and lot only of its subdivision projects. For the second quarter in 2017 compared to the same period in 2016, the Company posted a 77.90% increase or a ₱30.4M increase at ₱ 69.4M compared to ₱39.0M. The Company's aggressive marketing efforts, change in sales strategy and launching of a new project boosted sales further during the 2nd quarter. The Company posted a Net Operating Income of ₱0.51M for the 2nd quarter of 2017 compared to Net Operating Loss of ₱15.10M for the same period in 2016, a 103% growth or ₱15.61M increase in Operating Income.

Comparative Top Key Performance Indicators of the Company:

Management evaluates the Company's performance as it relates to the following:

a. Sales – The Company gauges its performance by determining the return on sales (net income after tax over net sales). It indicates net profitability of each peso of sales.

b. Accounts Receivable – The Company assesses the efficiency in collecting receivables and in managing credit by determining the past due ratio thru the aging of receivables.

c. Gross Profit Margin – Measures effectiveness of pricing and control of project development cost. This is derived by dividing gross profit over net sales.

d. Working Capital – The Company's ability to meet obligations is measured by determining current assets over current liabilities. Working capital turnover is calculated by dividing Sales over Ave. Net Working Capital.

Variance Analysis – Another tool that measures efficiency on how the actual sales were attained via a vis forecasted sales.

INDICATOR	Q2 2017	Q2 2016
Return on sales	0.73%	-38.69%
Past due ratio	45.00%	37.15 %
Gross Profit rate	57.54%	58.43 %
Working Capital Turnover	0.09	0.022

4. Other Notes to 2Q 2017 Operations and Financials:

Analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- **Any known trends, demands, commitments, events or uncertainties that will have an impact on the issuer's liquidity;**

At present, the uncertainty that has a material impact on sales is the economic situation. Fortunately, the seemingly improving economic situation has now translated into a significant buying mood for the real estate market. As a result of this surge in sales of real estate, the Company is now gearing up its construction activities and will continue to do so to meet the growing market demand for developed real estate properties.

- **Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;**

The Company sees no event that will trigger direct or contingent financial obligation that is material to the Company.

- **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during reported period.**

There were no material off-balance sheet transactions, agreements, obligations, (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during t4he reported period.

- **Any material commitments for capital expenditures, the general purpose of such commitments and expected sources of funds of such expenditures.**

There were no material commitments for capital expenditures except those arising from the ordinary project development requirements that were well within the regular cash flow budget coming from internally generated funds.

- **Seasonal aspects that had material effect on the financial condition or results of operation.**

  Projects are launched any time of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market condition and strategies. Development and construction works follow.

- **Internal and external sources of liquidity**

  Collections from selling activities provide liquidity. Externally, the Company avails of credit lines offered by banks. The Company periodically reviews its capital structure and existing obligations.

Compliance with Leading Practice on Corporate Governance

The Company has adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. Among these are as follows:

- Organizational and Procedural Controls
- Independent Audit Mechanism
- Regular Reporting to Audit Committee
- Creation of Board Committees
- Financial and Operational Reporting
- Compliance to Government Regulatory and Reportorial Requirements
- Disclosure of Transparency to the Public

There was no deviation committed by any of the company's directors and/or officers on the Manual of Corporate Governance during the period covered in this report.

PART II – OTHER INFORMATION

Disclosure not made under SEC FORM 17-C: **NONE**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
BALANCE SHEET
June 30, 2017
(With Comparative Figures for 2016)

	Interim F/S Jun 30, 2017	Audited F/S Dec 31, 2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	15,095,128	8,963,990
Trade and other receivables, net	183,851,318	137,665,327
Real estate inventories, net	690,836,764	697,065,875
Prepayments and other current assets	28,115,226	26,601,483
	917,898,437	870,296,675
Non-current Assets		
Non-current trade receivables	136,401,684	153,668,135
Advances to related parties	353,137,882	326,424,390
Investment property	1,072,016	1,072,016
Property and equipment, net	42,922,883	44,053,190
Deferred tax assets	8,089,622	8,089,622
Other assets	6,633,057	6,629,818
	548,257,145	539,937,171
TOTAL ASSETS	1,466,155,582	1,410,233,846
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	82,925,459	52,840,776
Borrowings	50,275,945	43,432,981
Deferred gross profit	46,429,012	40,902,333
Customers' deposits	3,160,458	1,597,093
	182,790,874	138,773,183
Non-current Liabilities		
Retention payable and guaranty bonds	25,862,558	25,116,076
Borrowings (net of current portion)	45,552,461	34,902,442
Advances from related parties	123,754,435	123,756,261
Deferred Tax Liabilities	28,800,682	28,800,682
Retirement benefits obligation	5,258,659	5,258,659
	229,228,796	217,834,120
Total liabilities	412,019,669	356,607,303
Equity		
Capital Stock	1,445,549,829	1,445,549,830
Deficit	(391,413,916)	(391,923,287)
Total equity	1,054,135,913	1,053,626,543
Total liabilities and equity	1,466,155,582	1,410,233,846

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF INCOME AND DEFICIT
For the Six-Month Period ended June 30, 2017

	2017 Apr-June	**2017 Year to date**	**2016 Apr-June**	**2016 Year to date**
REAL ESTATE SALES	26,001,042	69,375,318	13,305,768	39,005,240
LESS: COST OF SALES	11,418,396	29,453,588	4,454,748	16,214,338
GROSS PROFIT	14,582,646	39,921,730	8,851,020	22,790,902
DEFERRED GROSS PROFIT	4,167,999	14,457,851	7,422,742	15,976,665
REALIZED GROSS PROFIT ON CURRENT YEAR	10,414,647	25,463,879	1,428,278	6,814,237
ADD: REALIZED GROSS PROFIT - PRIOR YEAR	6,831,843	8,742,026	5,475,652	8,976,993
TOTAL REALIZED GROSS PROFIT	17,246,490	34,205,905	6,903,930	15,791,230
OPERATING EXPENSES	15,375,129	29,744,444	12,127,920	27,080,301
NET OPERATING INCOME	1,871,361	4,461,462	(5,223,990)	(11,289,071)
FINANCE COST	(2,673,075)	(4,639,109)	(2,587,757)	(4,654,507)
OTHER INCOME (EXPENSES)	469,782	952,349	540,161	852,985
NET INCOME (LOSS)	(331,932)	774,701	(7,271,586)	(15,090,594)
LESS: INCOME TAX	-	265,330	-	-
DEFERRED INCOME TAX	-	-	-	-
NET INCOME (LOSS) AFTER PROVISION	(331,932)	509,371	(7,271,586)	(15,090,594)
RETAINED EARNINGS, BEGINNING	(391,923,287)	(391,923,287)	(397,612,824)	(397,612,824)
NET INCOME (LOSS)	(331,932)	509,371	(7,271,586)	(15,090,594)
RETAINED EARNINGS, END	(392,255,219)	(391,413,916)	(404,884,409)	(412,703,417)
EARNINGS (LOSS) PER SHARE *	(0.00)	0.00	(0.005)	(0.01)

**** Based on Weighted Average number of common shares outstanding*** ***1,445,549,830***

**** Trailing 12 months Earnings / (Loss) per Share (Basic)*** ***0.0126***

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF CASH FLOW
June 30, 2017
(With Comparative Figures for 2016)

	June 2017	June 2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	509,371	(15,090,594)
Adjustment to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	587,066	652,369
Amortization of deferred charges	-	-
Gain on sale of property and equipment	-	-
Acquisition of property	-	-
Provision for doubtful accounts	-	-
Decrease (increase) in assets:		-
Receivables	(55,819,031)	18,187,234
Inventories	10,913,918	15,860,678
Intangible Assets	-	-
Prepaid Expenses	(943,688)	242,723
Other Assets	(573,296)	(1,466,529)
Increase (decrease) in liabilities		
Accounts payable	30,458,156	(15,306,115)
Accrued expenses	16,818,187	(10,246,323)
Deferred Income	6,608,599	6,482,650
Net cash provided by (used) in operating activities	**8,559,282**	**(683,906)**
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to raw land inventory	-	-
Additions to equipment	(538,680)	(52,723)
Deductions from Real estate held for sale	-	-
Additions to project development cost	(1,887,639)	(1,511,737)
Proceeds from insurance claims	-	-
Proceeds from sale of property and equipment	-	-
Net cash provided by (used) in investing activities	**(2,426,319)**	**(1,564,460.19)**
CASH FLOW FROM FINANCING ACTIVITIES:		
Additional deposits on subscription	-	-
Net increase in due to affiliates	(1,826)	(206)
Net increase in due to stockholders	-	-
Payment of long-term debts	-	-
Payment of short-term borrowings	-	-
Proceeds from short-term borrowings	-	-
Net cash provided by (used) in financing activities	(1,826)	(206)
NET INCREASE (DECREASE) IN CASH	**6,131,138**	**(2,929,784)**
		-
ADJUSTMENT OF PRIOR PERIODS	-	-
		-
CASH, BEGINNING	**8,963,990**	**11,484,600**
CASH, END	**15,095,128**	**8,554,816**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
For the Six-Month Period ended June, 2017
(With Comparative Figures for 2016)

	CAPITAL STOCK	DEFICIT	TOTAL
Balance at December 31, 2015	1,445,549,829	(397,612,824)	1,047,937,005
Net Income (Loss) as of June 30, 2016		(15,090,594)	(15,090,594)
Balance at June 30, 2016	**1,445,549,829**	**(412,703,417)**	**1,032,846,412**
Balance at December 31, 2016	1,445,549,829	(391,923,287)	1,053,626,542
Net Income (Loss) as of June 30, 2017		509,371	509,371
Balance at June 30, 2017	**1,445,549,829**	**(391,413,916)**	**1,054,135,913**

PROPERTY AND EQUIPMENT (net)

Property and equipment as of June 30, 2017 is as follows:

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY

PROPERTY, PLANT AND EQUIPMENT

As of June 30, 2017

	Leasehold Improvement	Transportation Equipment	Building, Machinery, Furniture & Fixtures, Office Equipment	TOTAL
Cost				
At January 1, 2017	16,547,307	5,085,686	118,480,172	140,113,165
Additions	-	-	7,366	7,366
Disposals	-	-	-	-
June 30, 2017	***16,547,307***	***5,085,686***	***118,487,539***	***140,120,531***
				-
Accumulated Depreciation				
At January 1, 2017	16,418,224	4,529,102	75,996,317	96,943,644
Additions	18,440	32,527	218,843	269,810
Disposals	-	-	15,806	15,806
June 30, 2017	***16,436,665***	***4,561,629***	***76,199,354***	***97,197,648***
				-
Net Book Value				
At January 1, 2017	***129,083***	***556,583***	***42,483,855***	***43,169,521***
June 30, 2017	***110,642***	***524,057***	***42,288,184***	***42,922,883***

BUSINESS SEGMENT INFORMATION

The business segment report of the company as of June 30, 2017 is as follows:

PHILIPPINE ESTATES CORPORATION
SEGMENT REPORT
JANUARY-JUNE 2017

	HEAD OFFICE	DAVAO	CEBU	ILOILO	CONSOLIDATED
Sales	-	-	28,162,891	41,212,426	69,375,318
Realized Gross Profit	-	-	15,032,200	19,173,705	34,205,905
Other Income	100,899	-	589,224	262,225	952,349
Finance Cost	4,548,280	-	90,829	-	4,639,109
Depreciation and Amortization	1,386,852	-	265,898	16,237	1,668,986
Other Operating Expenses	15,240,188	118,759	7,516,835	5,199,675	28,075,457
SEGMENT ASSETS	**759,270,789**	**3,616,951**	**575,191,018**	**128,076,824**	**1,466,155,582**
SEGMENT LIABILITIES	**322,736,949**	**97,289**	**54,942,453**	**34,242,978**	**412,019,669**

AGING OF RECEIVABLES
AS OF JUNE 2017

PROJECT	RECEIVABLE BALANCE	NOT YET DUE	CURRENT	PAST DUE 1-30	31-60	61-90	91-120	121-180	>180	TOTAL
PACIFIC GRAND VILLAS PHASE 1B	**27,836,303**	**5,595,593.39**	**-**	**1,343**	**-**	**-**	**-**	**-**	**22,239,366**	**22,240,709**
LOT ONLY	12,219,500	1,685,100.04	-	-	-	-	-	-	10,534,400	10,534,400
HOUSE AND LOT	15,616,803	3,910,493.35	-	1,343	-	-	-	-	11,704,966	11,706,309
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
PACIFIC GRAND VILLAS PHASE 1C	**16,963,551**	**11,789,900.47**	**48,727**	**3,351,348**	**48,727**	**90,864**	**17,145**	**88,053**	**1,528,786**	**5,124,923**
LOT ONLY	9,213,500	8,524,735.00	2,214	4,548	2,214	-	17,145	-	662,644	686,551
HOUSE AND LOT	7,750,051	3,265,165.46	46,514	3,346,800	46,514	90,864	-	88,053	866,141	4,438,372
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
PACIFIC GRAND VILLAS PHASE 4A	**63,760,859**	**53,085,898.03**	**493,436**	**651,118**	**407,339**	**318,879**	**3,053,168**	**387,470**	**5,363,553**	**10,181,526**
LOT ONLY	38,923,232	31,530,155.14	438,749	596,431	255,400	264,603	269,044	284,456	5,284,392	6,954,327
HOUSE AND LOT	24,837,628	21,555,742.89	54,686	54,686	151,939	54,276	2,784,124	103,013	79,160	3,227,199
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
PACIFIC GRAND VILLAS PHASE 4B	**20,808,680**	**10,210,823.29**	**65,203**	**77,186**	**44,626**	**37,292**	**25,857**	**1,225,198**	**9,122,496**	**10,532,654**
LOT ONLY	4,511,391	2,618,587.94	18,996	30,979	30,693	23,577	12,356	34,193	1,742,010	1,873,807
HOUSE AND LOT	16,297,288	7,592,235.35	46,206	46,206	13,932	13,715	13,501	1,191,005	7,380,486	8,658,847
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
PACIFIC GRAND TOWNHOMES	**9,699,412**	**9,314,064.56**	**-**	**-**	**-**	**-**	**-**	**-**	**385,348**	**385,348**
TOWNHOUSE	9,699,412	9,314,064.56	-	-	-	-	-	-	385,348	385,348
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
CEBU TOTAL	**139,068,804**	**89,996,279.73**	**607,366**	**4,080,994**	**500,692**	**447,035**	**3,096,170**	**1,700,721**	**38,639,548**	**48,465,159**
** Past Due Ratio*				*3%*	*0%*	*0%*	*2%*	*1%*	*28%*	*35%*
CHATEAUX GENEVA	**28,680,601**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,680,601**	**28,680,601**
LOT ONLY	17,385,587	-	-	-	-	-	-	-	17,385,587	17,385,587
HOUSE AND LOT	11,295,014	-	-	-	-	-	-	-	11,295,014	11,295,014
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
COSTA SMERALDA	**66,862,344**	**54,046,576.25**	**775,207**	**775,207**	**100,274**	**77,994**	**3,565,939**	**162,103**	**7,359,046**	**12,040,562**
LOT ONLY	33,645,538	28,612,269.40	722,982	722,982	79,160	57,203	56,544	122,087	3,272,309	4,310,286
HOUSE AND LOT	33,216,806	25,434,306.85	52,224	52,224	21,114	20,792	3,509,394	40,015	4,086,736	7,730,275
** Past Due Ratio*	-	-	-	-	-	-	-	-	-	-
WELLFORD HOMES	**13,782,436**	**13,782,436.26**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
DUPLEX	13,782,436	13,782,436.26	-	-	-	-	-	-	-	-
ILOILO TOTAL	**109,325,382**	**67,829,012.51**	**775,207**	**775,207**	**100,274**	**77,994**	**3,565,939**	**162,103**	**36,039,647**	**40,721,163**
** Past Due Ratio*				*1%*	*0%*	*0%*	*3%*	*0%*	*33%*	*37%*
PLASTIC CITY INDUSTRIAL PARK	**6,529,854**								**6,529,854**	**6,529,854**
EMBASSY POINTE	**35,557,150**								**35,557,150**	**35,557,150**
METRO MANILA	**42,087,004**	**-**		**-**	**-**	**-**	**-**	**-**	**42,087,004**	**42,087,004**
** Past Due Ratio*				*0%*	*0%*	*0%*	*0%*	*0%*	*38%*	*38%*
GRAND TOTAL	**290,481,190**	**157,825,292.24**	**1,382,572**	**4,856,200**	**600,966**	**525,029**	**6,662,109**	**1,862,823**	**116,766,198**	**131,273,325**
** Past Due Ratio*				*2%*	*0%*	*0%*	*2%*	*1%*	*40%*	*45%*

SIGNATURES

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

Issuer	: **ELVIRA A. TING**
Title	: PRESIDENT / CEO
Signature	:
Date	: 4 August 2017
Principal Financial Accounting Officer Controller	: **JOCELYN A. VALLE**
Title	: FINANCE HEAD
Signature	:
Date	: 4 August 2017

Philippine Estates Corporation and Subsidiary

Consolidated Financial Statements
December 31, 2016 and 2015

and

Independent Auditors' Report

PHILIPPINE ESTATES

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud of error.

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

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

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

Diaz Murillo Dalupan and Company, the independent auditor, appointed by the stockholders has audited the financial statements in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ARTHUR M. LOPEZ
Chairman of the Board

ELVIRA A. TING
President / CEO

JOCELYN A. VALLE
Finance Head

RICHARD L. RICARDO
Treasurer

APR 17 2017

Signed this 7th day of April 2017

SUBSCRIBED AND SWORN to before me this day APR 11 2017 at Q.C.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806546 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/04/2013 QUEZON CITY
ROLL NO. [illegible]
ADM. MATTER NO. [illegible]
ADD.: NO.34 [illegible] Q.C.
MCLE NO. II-0020276 - OCT. 29,2011

DOC NO. 44
PAGE NO. 9
BOOK NO. 149-A
SERIES OF 2017

ANTHONY M. YENKO
Certified Public Accountant
Suite 1903-B West Tower, Philippine Stock Exchange Centre, Exchange Road,
Ortigas Center, Pasig City, Philippines 1605
em@il: yenko.cpa@gmail.com mobile: 0998 541 6356

PRACTITIONER'S COMPILATION REPORT

To Management of **PHILIPPINE ESTATES CORPOPRATION**
35F One Corporate Center, Julia Vargas cor. Meralco Avenue
Ortigas Center, Pasig City

I have compiled the accompanying financial statements of **PHILIPPINE ESTATES CORPOPRATION** based on information you have provided. These financial statements comprise the statement of financial position of **PHILIPPINE ESTATES CORPOPRATION** as at December 31, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standard. I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.

ANTHONY M. YENKO
PRC/BOA Accreditation No. 3172
Valid until December 31, 2018
PTR No. 6458891 – February 1, 2017
Place of Issue - Makati City
CPA Certificate No. 0096298
TIN 198-591-063-000

February 28, 2017

SUBSCRIBED AND SWORN to before me this APR 17 2017, at MANDALUYONG CITY, Affiant exhibits to me her ______________
with No.:__________ as strong proof of her/his identity.

DOC NO. 193
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BOOK NO. 82
SERIES OF 2017

Diaz Murillo Dalupan and Company
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors and Stockholders of
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
35th Floor, One Corporate Center,
Doña Julia Vargas Ave., corner Meralco Avenue,
Ortigas Center, Pasig City

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Philippine Estates Corporation and Subsidiary**, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended 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 Audits of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Code of Ethics for Professional Accountants in the Philippines (the 'Code of Ethics') together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Local in Touch, Global in Reach
Head Office : 7th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines
Telephone: +63(2) 894 5892 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636
Website : www.dmdcpa.com.ph
an independent member of HLB International. A worldwide organization of accounting firms and business advisers.

<u>Valuation of Advances to Related Parties</u>

The advances to related parties represents major part of the total assets. Portion of the advances to related parties pertains to interest bearing unsecured cash advances. Thus, the valuation of the receivables was significant to our audit due to the materiality of the amount.

Our response

Our audit procedures to address the risk of material misstatement relating to valuation of advances receivables, which was considered to be a significant risk, included:

- Reviewed subsequent collections/ application of payments of related parties.
- Confirmed the necessity and adequacy of impairment provisions by reviewing correspondence and other documentation.
- Inspected related parties' files on overdue debts for evidence of disputes and the profitability of settlement, ensure adequate provision has made.
- Examined financial statements of related parties and assess the financial capacity to pay.
- Inspected financial statements of related parties if the receivables are reflected.
- Considered the related parties' management/ business plans to continue as a going concern entity.

The Group's disclosures about its advances to related parties are included in Note 21.

<u>Revenue Recognition and Realization of Gross Profit</u>

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories is recognized based on percentage-of-completion and are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. However, for income tax computation purposes, the realized gross profit is computed based on collections.

Our response

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included:

- Vouched and verified the sales and its corresponding cost of sales during the year to its supporting documents.
- Obtained the percentage of completion of each project from the contractors.
- Reviewed collections of receivables of prior years' sales for the realization of gross profit.
- Reviewed collections of receivables from current sales for the realization of gross profit.
- Verified the accuracy and mathematical calculations of each of the percentage of completion and peracetate of collections during the year.

The Group's disclosures about its sales, cost of sales as well as its deferred gross profit are included in Notes 15, 17 and 18.

Other information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 auditor's report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 audits.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:

Joze) Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until April 30, 2017
Tax Identification No. 170-035-673
PTR No. 5918243, January 10, 2017, Makati City
BIR Accreditation No. 08-001911-009-2016 effective until March 17, 2019

April 7, 2017

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 43 PASIG CITY
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BY: RAHIMAH BANTAYO CALI

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Financial Position

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	As at December 31	
	2016	2015
ASSETS		
Current Assets		
Cash - note 4	**₱ 8,963,990**	₱ 11,520,059
Trade and other receivables - note 5	**137,665,327**	155,908,959
Real estate inventories - note 6	**697,065,875**	691,526,145
Prepayments and other current assets - note 7	**26,601,483**	24,381,293
	870,296,675	883,336,456
Noncurrent Assets		
Trade and other receivables (net of current portion) - net - note 5	**153,668,135**	172,129,397
Advances to related parties (net) - note 21	**326,424,390**	315,585,087
Investment property - note 8	**1,072,016**	1,072,016
Property and equipment (net) - note 9	**44,053,190**	47,356,870
Deferred tax assets (net) - note 23	**8,089,622**	16,267,655
Other noncurrent assets - note 10	**6,629,818**	6,527,326
	539,937,171	558,938,351
TOTAL ASSETS	**₱ 1,410,233,846**	₱ 1,442,274,807
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other liabilities - note 11	**₱ 52,840,776**	₱ 65,321,232
Borrowings - note 12	**43,432,981**	31,542,665
Deferred gross profit - note 15	**40,902,333**	72,171,223
Customers' deposits - note 13	**1,597,093**	1,654,502
	138,773,183	170,689,622
Noncurrent Liabilities		
Retention payable and guarantee bonds - note 14	**25,116,076**	23,657,784
Borrowings (net of current portion) - note 12	**34,902,442**	45,552,461
Advances from related parties - note 21	**123,756,261**	123,756,376
Deferred tax liabilities - note 23	**28,800,682**	22,873,487
Retirement benefits obligation - note 24	**5,258,659**	4,790,215
	217,834,120	220,630,323
Equity		
Capital stock - note 16	**1,445,549,830**	1,445,549,830
Remeasurement gain on retirement benefits - note 24	**3,276,350**	2,580,350
Deficit	**(395,199,637)**	(397,175,318)
	1,053,626,543	1,050,954,862
TOTAL LIABILITIES AND EQUITY	**₱ 1,410,233,846**	₱ 1,442,274,807

(The accompanying notes are an integral part of these consolidated financial statements)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 7
RDO 43 PASIG CITY
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BY: RAHIMAH BANTAYO CALI

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2016	2015	2014
REAL ESTATE SALES - note 17	**₱ 69,502,349**	₱ 123,804,128	₱ 118,707,798
COST OF REAL ESTATE SOLD - note 18	**(28,592,799)**	(55,349,119)	(55,773,812)
GROSS PROFIT	**40,909,550**	68,455,009	62,933,986
DEFERRED GROSS PROFIT	**(18,775,735)**	(25,941,846)	(30,976,360)
REALIZED GROSS PROFIT DURING THE YEAR	**22,133,815**	42,513,163	31,957,626
REALIZED GROSS PROFIT FROM PREVIOUS YEARS SALES	**47,826,959**	21,381,509	12,254,517
TOTAL REALIZED GROSS PROFIT	**69,960,774**	63,894,672	44,212,143
OTHER INCOME (net) - note 19	**11,779,538**	13,008,295	31,672,193
OPERATING EXPENSES - note 20	**(52,962,149)**	(63,694,487)	(58,629,731)
FINANCE COSTS - note 12	**(11,783,857)**	(10,454,947)	(776,192)
INCOME BEFORE TAX	**16,994,306**	2,753,533	16,478,413
PROVISION FOR INCOME TAX - note 23			
Current	**1,211,682**	1,271,092	1,080,975
Deferred	**13,806,943**	370,296	2,030,716
	15,018,625	1,641,388	3,111,691
NET INCOME	**1,975,681**	1,112,145	13,366,722
OTHER COMPREHENSIVE INCOME (LOSS)			
Not subject to reclassification adjustment:			
Remeasurement gain (loss) on retirement benefits (net of tax)	**696,000**	(2,128,917)	2,755,612
Borrowings - note 12			
FOR THE YEAR	**₱ 2,671,681**	(₱ 1,016,772)	₱ 16,122,334
EARNINGS PER SHARE - note 28	**₱ 0.001**	₱ 0.001	₱ 0.009

(The accompanying notes are an integral part of these consolidated financial statements)

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Changes in Equity

	Capital stock (Note 16)	Remeasurement gain on retirement benefits (net) (Note 24)	Deficit	Total
Balance, January 1, 2014	₱ 1,445,549,830	₱ 1,953,655	(₱411,654,185)	₱1,035,849,300
Comprehensive income				
Net income for the year	–	–	13,366,722	13,366,722
Remeasurement gain on retirement benefits - note 24	–	2,755,612	–	2,755,612
Total comprehensive income for the year	–	2,755,612	13,366,722	16,122,334
Balance as at December 31, 2014	1,445,549,830	4,709,267	(398,287,463)	1,051,971,634
Comprehensive income				
Net income for the year	–	–	1,112,145	1,112,145
Remeasurement loss on retirement benefits - note 24	–	(2,128,917)	–	(2,128,917)
Total comprehensive income for the year	–	(2,128,917)	1,112,145	(1,016,772)
Balance as at December 31, 2015	1,445,549,830	2,580,350	(397,175,318)	1,050,954,862
Comprehensive income				
Net income for the year	–	–	1,975,681	1,975,681
Remeasurement gain on retirement benefits - note 24	–	696,000	–	696,000
Total comprehensive income for the year	**–**	**696,000**	**1,975,681**	**2,671,681**
Balance as at December 31, 2016	**₱1,445,549,830**	**₱ 3,276,350**	**(₱395,199,637)**	**₱1,053,626,543**

PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 16,994,306**	₱ 2,753,533	₱ 16,478,413
Adjustments for:			
Finance costs - note 12	**11,783,857**	10,454,947	776,192
Depreciation - note 9	**3,437,260**	3,424,329	3,785,727
Loss on cancelled contracts - note 20	**1,732,014**	1,588,220	3,266,898
Retirement benefits expense - note 24	**1,462,730**	1,193,335	1,349,067
Loss from disposal of property and equipment - note 9	**-**	22,000	-
Interest income - notes 4, 5 and 21	**(8,565,164)**	(9,389,778)	(10,075,113)
Reversal of impairment loss on advances to related parties - not	**(2,384,888)**	(2,310,405)	(7,434,134)
Operating income before working capital changes	**24,460,115**	7,736,181	8,147,050
Decrease (increase) in:			
Trade and other receivables	**34,972,880**	179,567	7,591,508
Real estate inventories	**(5,539,730)**	(2,253,784)	(1,825,241)
Prepayments and other current assets	**(2,220,191)**	(5,075,233)	2,627,942
Increase (decrease) in:			
Accounts payable and other liabilities	**(12,480,456)**	(26,876,253)	(15,758,911)
Customers' deposit	**(57,409)**	(6,012,633)	243,363
Deferred gross profit	**(31,268,890)**	2,430,426	12,098,119
Retention payable and guarantee bonds	**1,458,292**	(965,036)	(8,853,263)
Cash generated from (used in) operations	**9,324,611**	(30,836,765)	4,270,567
Borrowings - note 12	**1,570,570**	2,217,993	2,743,351
Income tax paid	**(1,211,682)**	(1,271,092)	(1,080,975)
Net cash provided by (used in) operating activities	**9,683,499**	(29,889,864)	5,932,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of advances to related parties - note 21	**23,919,998**	32,050,071	69,686,174
Advances to related parties - note 21	**(25,379,819)**	(16,829,897)	(8,655,706)
Additions to property and equipment - note 9	**(133,580)**	(1,324,259)	(1,547,911)
Proceeds from sale of property and equipment	**-**	80,000	-
Additions to other noncurrent assets	**(102,492)**	(16,770)	(51,967)
Net cash provided by (used in) investing activities	**(1,695,893)**	13,959,145	59,430,590
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of advances from related parties - note 21	**(115)**	(5,733,860)	27,689,758
Proceeds from borrowings	**38,892,932**	56,500,136	15,315,133
Payment of borrowings	**(37,652,635)**	(37,652,635)	(11,240,963)
Payment of advances from related parties - note 21	**-**		(76,602,783)
Interest paid	**(11,783,857)**	(10,454,947)	(776,192)
Net cash provided by (used in) financing activities	**(10,543,675)**	2,658,694	(45,615,047)
NET INCREASE (DECREASE) IN CASH	**(2,556,069)**	(13,272,025)	19,748,486
CASH - note 4			
At beginning of year	**11,520,059**	24,792,084	5,043,598
At end of year	**₱ 8,963,990**	₱ 11,520,059	₱ 24,792,084

1. CORPORATE INFORMATION

Philippine Estates Corporation (the 'Parent Company') was incorporated in the Philippines on May 30, 1983 as "Philippine Cocoa Estates Corporation". It was registered with the Securities and Exchange Commission (SEC) with its new corporate name on May 16, 1996 and started its commercial operations in 1996. The Parent Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

The principal activity of the Parent Company is to engage in the business of holding and developing real estate or other properties for industrial, commercial, residential, leisure, or sports purposes, and in pursuance thereof, to acquire by purchase, lease or otherwise, real estate and/or appurtenant properties and/or interest therein. The Parent Company's condominium projects and other developmental activities are located in the cities of Manila, Cebu and Iloilo.

The registered office of the Parent Company, which is also its principal place of business, is at 35th Floor, One Corporate Center, Doña Julia Vargas Ave., corner Meralco Avenue, Ortigas Center, Pasig City.

The Parent Company owns 100% of the shares of stocks issued and outstanding of Mariano Arroyo Development Corporation (MADCorp).

The financial position and results of operations of the Parent Company and its Subsidiary, (herein referred to as the "Group") are consolidated in these financial statements.

The accompanying consolidated financial statements of the Group were approved and authorized for issue by its Board of Directors (BOD) on April 7, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared on a historical cost basis, except as otherwise stated.

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso (₱), the Group's functional currency. All amounts are rounded to the nearest peso except when otherwise indicated.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years except for the following new and amended PFRSs which were adopted as at January 1, 2016.

Annual Improvements to PFRS 2012-2014 Cycle

The annual improvements addressed the following issues:

PFRS 5 (Amendment), Non-current Assets Held for Sale and Discontinued Operations - Reclassification of Asset from Held for Sale to Held for Distribution or Vice Versa. The amendment adds specific guidance in for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

PFRS 7 (Amendment), Financial Instruments: Disclosures - Continuing Involvement in a Transferred Asset and Offsetting Disclosures in Condensed Interim Financial Statements. The amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

PAS 19 (Amendments), Employee Benefits - Discount Rate for Post-Employment Benefits. The amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

PAS 34 (Amendments), Interim Financial Reporting - Disclosure of Information Elsewhere in the Interim Report. The amendments clarify the requirements relating to information required by PAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms at the same time as the interim financial statements.

The application of the above improvements has no impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

The above improvements are effective for annual periods beginning on or after January 1, 2016.

PAS 1 (Amendment), Presentation of Financial Statements - Disclosure Initiative. This amendment gives some guidance on how to apply the concept of materiality in practice. This also provides additional guidance for line items to be presented in statement of financial position and statement of comprehensive income and also introduce new requirements regarding the use of subtotals. Further, the amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of PAS 1. Guidance and examples are also removed with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The amendment has no material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PAS 16 (Amendments), Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation. These amendments clarify that a depreciation method that is based on revenue generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment has no impact on the financial statements as the Group's depreciation method is not based on revenue.

PAS 38 (Amendments), Intangible Assets - Clarification of Acceptable Methods of Amortization. These amendments introduce rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in PAS 16. However, the IASB states that there are limited circumstances when the presumption can be overcome, (a) the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and (b) it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset). The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the consolidated financial statements as the Group has no intangible assets.

PAS 16, Property, Plant and Equipment, and *PAS 41, Agriculture - Bearer Plants (Amendments)*. The amendments clarify that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' 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. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the consolidated financial statements as the Group has no bearer plants.

PAS 27 (Amendments), Separate Financial Statements - Equity Method in Separate Financial Statements. These amendments permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the Group's financial statements.

PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception (Amendments). The amendments clarify that (a) the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value in accordance with PFRS 10. The amendment further clarify that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity. Moreover, the amendments clarify that in applying the equity method to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. Clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12. The amendments are effective and applicable for annual periods beginning on or after January 1, 2016.

The amendments are not applicable to the consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary or joint venture that qualifies as an investment entity.

PFRS 11 (Amendment), Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations. The amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in PFRS 3 to: (1) apply all of the business combinations accounting principles in PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11; and, (2) disclose the information required by PFRS 3 and other PFRSs for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in PFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment has no material effect in the consolidated financial statements as the Group does not have interests in joint operations.

PFRS 14, Regulatory Deferral Accounts. This new standard permits an entity which is a first-time adopter of Philippine Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of PFRS and in subsequent financial statements. Entities which are eligible to apply this standard are not required to do so, and so can chose to apply only the requirements of PFRS 1 when first applying PFRSs. However, an entity that elects to apply this standard in its first PFRS financial statements must continue to apply it in subsequent financial statements. This standard cannot be applied by entities that have already adopted PFRSs. The standard is effective and applicable on first annual financial statements for annual periods beginning on or after January 1, 2016.

The standard is not applicable to the consolidated financial statements since the Group is not subject to rate regulations.

<u>New accounting standards and amendments to existing standards effective subsequent to January 1, 2016</u>

Standards issued but not yet effective up to the date of the Group's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

PAS 7 (Amendments), Statement of Cash Flows - Disclosure Initiative. The amendments require to provide disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The amendments will result in added disclosures to reflect the cash and non-cash changes in liabilities arising from financing activities.

PAS 12 (Amendments), Income Taxes - Recognition of Deferred Tax Assets on Unrealized Losses. These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments also clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. The amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The amendments will not have a material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

Annual Improvements to PFRS 2014-2016 Cycle

The annual improvements addressed the following issues:

PFRS 1 (Amendments), First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions for First-time Adopters. The amendments deleted some short-term exemptions for first-time adopters and the related effective date paragraphs as the reliefs provided were no longer applicable and had been available to entities only for reporting periods that had passed. The amendments are effective for annual periods beginning on or after January 1, 2018.

PFRS 12 (Amendments), Disclosure of Interests in Other Entities – Clarification of the Scope of the Standard. The amendments clarify the scope of PFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10–B16, apply to an entity's interests that are classified (or included in a disposal group that is classified) as held for sale or discontinued operations in accordance with PFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments are effective for annual periods beginning on or after January 1, 2017 and shall be applied retrospectively.

PAS 28 (Amendments), Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value. The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are effective for annual periods beginning on or after January 1, 2018 and shall be applied retrospectively. However, early application of these amendments is permitted.

The application of the above improvements will have no impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PAS 40 (Amendments), Investment Property – Transfers of Investment Property. The amendments clarify that to transfer to, or from, investment properties there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred. The application of the amendments provides two options for transition: (a) An entity shall apply those amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments; or (b) retrospective application if, and only if, that is possible without the use of hindsight. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will not have a material impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PFRS 2 (Amendments), Share-based Payment - Classification and Measurement of Share-based Payment Transactions. The amendments address the: (a) accounting for modifications to the terms and conditions of share-based payments that change the classification of the transaction from cash-settled to equity-settled; (b) accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; and (c) the classification of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PFRS 4 (Amendments), Insurance Contracts - Applying PFRS 9 Financial Instruments and PFRS 4 Insurance Contracts. The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:(a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach"); and (b) an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4 (the "deferral approach"). The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. An entity would apply the overlay approach retrospectively to designated financial assets, when it first applies PFRS 9. An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018.

The amendments will not have an impact on the disclosures and amounts recognized on the Group's consolidated financial statements.

PFRS 9, Financial Instruments. The standard requires all recognized financial assets that are within the scope of PAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely for payments of principal and interest on the outstanding balance are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. For financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. The standard is to be effective no earlier than the annual periods beginning January 1, 2018, with earlier application permitted.

The management does not anticipate that the application of PFRS 9 will have a significant impact on the consolidated financial statements as the Group’s financial assets and financial liabilities pertains only to debt securities that will continue to be measured at amortized cost.

PFRS 15, Revenue from Contracts with Customers. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in that framework is that an entity should 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. An entity recognizes revenue in accordance with that core principle by applying the following steps: (a) identify the contracts with customers; (b) identify the performance obligations in the contract; (c) determine the transaction price; (d) allocate the transaction price to the performance obligations in the contract; and (e) recognize revenue when the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The management is still evaluating the impact of the above new standard on the Group’s consolidated financial statements.

PFRS 15 (Amendments), Revenue from Contracts with Customers – Clarifications to PFRS 15 Revenue from Contracts with Customers. This addresses clarifying amendments to PFRS 15 and introduced a transitional relief for entities applying the standard for the first time. The focus of these amendments is on clarifying the application of PFRS 15 when (a) identifying performance obligations by clarifying how to apply the concept of ‘distinct’, (b) determining whether an entity is acting as principal or an agent in a transaction by clarifying how to apply the control principle, and (c) assessing whether a license transfers to a customer over time or at a point in time by clarifying when a company’s activities significantly affect the intellectual property to which the customer has rights. The amendments also add two practical expedients to the transition requirements of PFRS 15 for completed contracts under the full retrospective transition approach and contract modifications at transition. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The management is still evaluating the impact of the above amendments on the Group’s consolidated financial statements.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration. This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

The interpretation will have no significant impact on the Group's consolidated financial statements.

PFRS 16, Leases. This new standard introduces a single lessee accounting model to be applied to all leases, whilst substantially carries forward the lessor accounting requirements in PAS 17 Leases. Lessees recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments for all leases with a term of more than twelve (12) months, unless the underlying asset is of low value. Whereas, lessors continue to classify leases as operating leases or finance leases, and to account for those two types of leases differently. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application not permitted until the FRSC has adopted the IFRS 15, Revenue from Contracts with Customers.

The management is still evaluating the impact of the above new standard on the Group's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and a subsidiary controlled by the Parent Company as at reporting date. Control is achieved when the Parent Company is exposed, or has rights to variable returns from its involvement with the subsidiaries and has the ability to affect these returns through its power over the subsidiaries.

A subsidiary is consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

On acquisition, the assets and liabilities and contingent liabilities of subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired, i.e. discount on acquisition, is credited to profit or loss in the period of acquisition.

The consolidated financial statements were prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-company balances and transactions, including intercompany profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Group.

Financial Instruments

Initial recognition, measurement and classification of financial instruments

The Group recognizes financial assets and financial liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

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

All financial assets and liabilities are classified as loans and receivables and other financial liabilities, respectively. The Group did not hold any other financial instruments as at December 31, 2016 and 2015.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.
These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2016 and 2015, included under loans and receivables are the Group's cash in bank, trade and other receivables, other noncurrent assets and advances to related parties (see Notes 4, 5, 10 and 21).

Cash

The cash as included in the statement of cash flows and in the statement of financial position includes cash on hand and deposits held at call with banks.

Trade and other receivables

Trade and other receivables consists of amounts due from customers, advances to employees and homeowners and receivable from contractors.

Other noncurrent assets

Other noncurrent assets consist mainly of refundable deposits.

Advances to related parties

Advances to related parties pertains to various cash advances made to related parties.

Other Financial Liabilities

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer) while other payables are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as noncurrent liabilities.

As at December 31, 2016 and 2015, included in other financial liabilities are the Group's accounts payable and other liabilities, borrowings, customers' deposits, retention payable and guarantee bonds, and advances from related parties (see Notes 11, 12, 13, 14 and 21).

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities include non-trade payables (mainly payable to government agencies), accrued expenses and other payables which composed of collections from customers for payment of titling and property taxes.

Customers' deposits

Customers' deposits represent reservation fees and initial collections received from the customers before the two parties enter into a sales agreement for the sale transaction.

Retention payable and guarantee bonds

Retention payable pertains to ten percent (10%) of each progress payment retained by the Group until full completion of the contract while guarantee bonds is equivalent to ten percent (10%) of the contract price covering a period of one year after the final completion of contracted jobs.

Advances from related parties

Advances from related parties pertains to various cash advances from related parties.

Borrowings and Borrowing Cost

(a) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method. Difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

(b) Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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.

All other borrowing costs are recognized as expenses in the Group's statement of comprehensive income in the period incurred.

"Day 1" Difference

When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

<u>Determination of Fair Value and Fair Value Hierarchy</u>

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

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Fair value measurement disclosures of financial and nonfinancial assets are presented in Note 31 to the consolidated financial statements.

Amortized Cost of Financial Instruments

Amortized cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Offsetting of Financial Assets and Financial Liabilities

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

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

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

If in a subsequent date, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the Group statement of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Group statement of comprehensive income, the impairment loss is reversed through the Group statement of comprehensive income.

Derecognition of Financial Assets and Financial Liabilities

(a) Financial assets

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

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

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

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability was discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group statement of comprehensive income.

Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. On initial recognition, real estate inventories are measured at cost which includes land cost, amounts paid to contractors for construction, borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs during the construction period. Real estate inventories are subsequently carried at lower of cost and net realizable value. The cost of real estate inventories as disclosed in the consolidated statement of financial position is determined using the specific identification and cost allocation for non-specific cost.

Net realizable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs to completion and the estimated costs of sale.

When the net realizable value of the real estate inventories is lower than costs, the Group provides for an allowance for the decline in the value and recognizes the write-down as an expense in the consolidated statement of comprehensive income. The amount of any reversal of write-down of real estate inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate inventories recognized as an expense in the period in which the reversal occurs.

The cost of inventory recognized in the consolidated statement of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

Prepayments

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises prepaid taxes and licenses, prepaid rentals, prepaid insurance and creditable withholding tax. Prepaid taxes and licenses, rentals and insurance are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Prepayments that are expected to be realized within twelve (12) months after the reporting date are classified as current asset, otherwise, these are classified as other noncurrent asset.

Prepayments are recognized when paid and carried at cost less any utilized portion.

Input Tax

The Group's input tax is stated at cost less provision for impairment, if any. Allowance for unrecoverable input tax, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims. The Company, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Interest in Joint Venture

The Group has entered into various jointly controlled operations.

A jointly controlled operation is a joint venture which involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity or a financial structure which is separate from the venturers themselves. The Group recognizes in its consolidated financial statements: (a) the assets that it controls and the liabilities that it incurs, and (b) the expenses that it incurs and its share of the income that it earns from the sale of inventories by the joint venture. The contractual arrangement determines how the revenue and expenses incurred in common are shared among the venturers.

Property and Equipment

Property and equipment are initially recognized at cost which comprises its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and location necessary for it to be capable of operating in the manner intended by management.

Property and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Expenses that provide incremental future economic benefits to the Group are added to the carrying amount of an item of property and equipment. All other expenses are recognized in the consolidated statements of comprehensive income as incurred.

Depreciation on property and equipment is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives of the property and equipment are as follows:

	In Years
Building and improvements	25
Transportation equipment	5
Machinery, furniture and fixtures	3

The useful lives and depreciation method are reviewed annually to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and amortization and accumulated impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations. Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization is charged against current operations.

Investment Property

Investment property are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at cost less any impairment loss. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Nonfinancial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Capital stock represents the par value of the shares that are issued and outstanding as at the reporting date.

Deficit include all current and prior period results of operations as disclosed in the consolidated statements of comprehensive income.

Remeasurement gain on retirement benefits (net) is comprised of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions.

Revenue Recognition

The Group recognizes revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The additional specific recognition criteria for each type of revenue are as follows:

Real estate sales

Revenues from transactions covering sales of real estate which include sales of residential houses, condominium units and developed lots are accounted for under the percentage-of-completion method. Percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligation under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary state, and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Gain from sales of virtually completed residential lots and housing units, where sufficient down payment has been received and when collectability of the sales price is reasonably assured, is accounted for under the full accrual method. Otherwise, the percentage-of-completion method is used where gain from sales of the completed projects is initially deferred and classified under 'Deferred gross profit' in the statement of financial position. Deferred gross profit is realized and transferred to the statement of comprehensive income based on the percentage-of-completion of the projects.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are classified as 'Customers' deposits' as shown in the statements of financial position.

Finance income

Interest and other financial income are recognized on time proportion basis that takes into account the effective yield on the asset or effective interest rate.

Miscellaneous Income

Miscellaneous income is recognized when the right to receive cash from services provided is established.

Cost and Expense Recognition

Cost and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Expenses in the statements of comprehensive income are presented using the functional method.

Cost of Real Estate Sold

Cost of real estate sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the contractors and technical staff of the Group. The estimated expenditures works the full development of sold real estate property, as determined by the technical staff of the Group, are charged to the 'Cost of Real Estate Sold'.

The Group recognizes the effect of revisions in the total project costs in the year these changes become known.

Operating Expenses

Operating expenses are recognized in the consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred. All finance costs are reported in the consolidated statements of comprehensive income, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset, on an accrual basis.

Cost and expenses in the statements of comprehensive income are presented using the functional method.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates and laws in the period the temporary difference are expected to be recovered or settled that have been enacted or substantively enacted as at reporting period.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

The Group reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement Benefits Obligation

The Group operates a defined benefit retirement plan. The retirement plan is generally funded through payments to a trustee bank determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a retirement plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability and remeasurements of net defined benefit liability.

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

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Leases

Leases wherein the lessor substantially transfers to the Group all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as assets and liabilities in the consolidated statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property, or if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the consolidated statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset of lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group is a party to an operating lease of its office spaces as a lessee. Payments paid to the lessor under operating leases (net of any incentives given by the lessor) are charged to the consolidated statement of comprehensive income.

Related Party Relationship and Transactions

Related party relationship exists when (a) a person or a close member of that person's family has control or joint control, has significant influence or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the Company if, the entity and the Company are members of the same group, one entity is an associate or joint venture of the other entity, both entities are joint ventures of the same third party, one entity is a joint venture of a third entity and the other entity is an associate of the third party, an entity is a post-employment benefit plan for the benefit of employees of the Company, the entity is controlled or jointly controlled by a person who has control or joint control over the Company, a person as identified in (a) above has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity and an entity or any member of a group of which it is part, provides key management personnel services to the Company or to the parent of the Company. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Basic Earnings Per Share (EPS)

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Reporting Date

The Group identifies post year-end events as events that occurred after the reporting date but before the date when the consolidated financial statements were authorized for issue. Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, AND ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances at the end of the reporting period. Actual results could differ materially from such estimates.

Estimates and judgments 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.

Significant Accounting Judgments in Applying the Group's Accounting Policies

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

Functional Currency

The Group considers the Philippine peso as the currency that most fairly represents the economic effect of the underlying transactions, events and conditions. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency in which the Group measures its performance and reports its operating results.

Interest in Joint and Real Estate Inventories

The Group has entered into Joint Venture Agreement with related parties for the development of real estate properties, whereby the Group acts as Developer. The following guidance was set by the Group to distinguish investment in joint venture from real estate inventories:

- Interest in joint venture involves the assets and other resources of each venturers. Each venturer uses its own property and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business.

The Group's interest in joint venture represents cost incurred to develop and sell the real estate properties contributed by co-venturers, in the Group's ordinary course of business. Accordingly, the Group accounted its share in the joint venture as real estate inventories.

Operating Lease Commitments

The Group has entered into contract of lease for the office spaces it occupies. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the estimated useful life of the related asset. The Group accordingly accounted for these as operating leases.

Provisions and Contingencies

Estimate of the probable costs for the resolution of possible claims are being developed in consultation with outside counsel handling the Group's defense in these matters and are based upon analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual settlement of these liabilities under these lawsuits or claims, if any, will not have a material impact on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized in the consolidated financial statements as at December 31, 2016 and 2015.

<u>Significant Accounting Estimates and Assumptions</u>

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Revenue and Cost Recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from sale of real estate inventories recognized based on percentage-of-completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project. Realized gross profit amounted to ₱69,960,774, ₱63,894,672 and ₱44,212,143, for the years ended December 31, 2016, 2015 and 2014, respectively.

Allowance for Doubtful Accounts and Impairment Losses

Recoverability of specific trade and other receivables, and advances to related parties is evaluated based on the best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

Allowance for doubtful accounts and impairment loss on trade and other receivables, and advances to related parties as at December 31, 2016 and 2015 amounted to ₱41,729,027 and ₱44,113,915 (see Notes 5 and 21).

The Group's trade and other receivables, and advances to related parties as at December 31, 2016 and 2015 amounted to ₱617,757,852 and ₱643,623,443, respectively (see Notes 5 and 21).

Estimating Useful Lives of Assets

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property equipment would increase recorded operating expenses and decrease non-current assets.

The carrying value of property and equipment as at December 31, 2016 and 2015 amounted to ₱44,053,190 and ₱47,356,870, respectively (see Note 9).

Deferred Tax Assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets 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. As at December 31, 2016 and 2015, the Group has assessed that they will generate sufficient taxable profit from the utilization of deferred tax assets in succeeding years.

The Group's deferred tax assets, net of valuation allowance, as at December 31, 2016 and 2015 amounted to ₱8,089,622 and ₱16,267,655, respectively (see Note 23).

Retirement Benefits Obligation

The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumptions shown in Note 24 to the consolidated financial statements include among others, discount rates and rates of salary increase. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and assumptions 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.

The Group's retirement benefits obligation as at December 31, 2016 and 2015 amounted to ₱5,258,659 and ₱4,790,215, respectively (see Note 24).

4. CASH

Cash as at December 31 consist of:

	2016	2015
Cash on hand	**₱ 61,446**	₱ 128,000
Cash in bank	**8,902,544**	11,392,059
	₱8,963,990	₱11,520,059

Cash in banks generally earns interest at annual rates based on daily bank deposit rates ranging from 0.125% to 0.25% per annum in 2016 and 2015.

Interest income earned from cash in bank amounted to ₱8,271 and ₱22,238 in 2016 and 2015, respectively, and is recognized as part of 'Other Income (net)' in the consolidated statements of comprehensive income (see Note 19).

There is no restriction on the Group's cash and cash equivalents as at December 31, 2016 and 2015.

5. TRADE AND OTHER RECEIVABLES (net)

Trade and other receivables (net) as at December 31 consist of:

	2016	2015
Current		
Installment contract receivables	**₱ 114,737,644**	₱127,398,419
Advances to homeowners	**14,161,735**	14,378,613
Advances to employees	**9,235,476**	14,352,827
Other receivables	**108,966**	357,594
	138,243,821	156,487,453
Allowance for doubtful accounts	**(578,494)**	(578,494)
	₱ 137,665,327	155,908,959
Noncurrent		
Installment contract receivables from:		
External customers	**₱ 117,631,636**	129,703,209
Related parties - note 21	**31,284,329**	37,557,929
Receivable from contractors	**4,752,170**	4,868,259
	153,668,135	172,129,397
	₱ 291,333,462	₱ 328,038,356

Installment contracts receivables are collectible within a period of one (1) to nine (9) years, and are secured by mortgage on the property purchased by the buyer. These receivables bear interest at annual rates ranging from 18% to 21% in 2016 and 2015. Interest income earned amounted to ₱1,562,299, ₱2,195,655 and ₱3,012,211 in 2016, 2015 and 2014, respectively (see Note 19).

The Group partially finances its real estate projects through assignment of certain installment contract receivables to secure loans availed from a local financial institution. Assigned installment contract receivables as at December 31, 2016 and 2015 amounted to ₱25,233,181 and ₱26,875,169, respectively (see Note 12).

Advances to homeowners pertain to advances for the maintenance of residential subdivisions pending establishment of Homeowner's Associations.

Advances to employees are payable through salary deductions and are payable within a period of six (6) months to one (1) year.

Receivable from contractors pertain to amount recoverable from construction projects. Other receivables consist of advances to suppliers and other miscellaneous receivables which are non-interest bearing and are collectible upon demand.

Except for the assigned installment contract receivables with a local financial institution, no other trade and other receivables as at December 31, 2016 and 2015 are held as collateral for its liabilities.

6. REAL ESTATE INVENTORIES

Real estate inventories as at December 31 consist of:

	2016	2015
At cost:		
Raw land inventory	**₱ 445,463,130**	₱ 443,476,755
Projects under development	**164,680,645**	85,024,429
House and lot	**86,922,100**	163,024,961
	₱ 697,065,875	₱ 691,526,145

Raw land inventory consists of parcels of land in the cities of Manila, Cebu and Iloilo.

The cost of projects under development consists of cost of land, site preparation and development, and construction cost of real estate inventories.

The Parent Company's real estate inventories consist of:

- Pacific Grand Villas in Cebu
- Pacific Grand Townhomes also in Cebu
- Pearl of the Orient Tower (formerly Embassy Pointe Tower) in Manila
- Chateaux Geneva and Costa Smeralda (Jaro Estates) in Iloilo
- MetroTech Industrial Park (formerly Plastic City Industrial Park) in Valenzuela

The Parent Company has entered into joint venture agreement with related parties whereby the related parties contribute real estate properties to be developed by the Parent Company. The following projects were undertaken through these joint venture agreements:

a) Pearl of the Orient Tower (formerly The Embassy Point Tower)

In 1996, the Parent Company entered into a joint venture agreement with Pearl of the Orient Realty and Development Corporation, a property developer, for the construction of office-commercial-residential condominiums. The joint venture project consist of The Embassy Pointe Tower (later renamed Pearl of the Orient Tower) located in Roxas Boulevard, Manila.

b) Chateaux Geneva

The Parent Company completed in 2005 its residential subdivision project in Iloilo called Chateaux Geneva. This project is a joint venture with Pacific Rehouse Corporation (PRC), an affiliate, by which they share on the net saleable areas of the joint venture property in accordance with their sharing agreement (see Note 27).

c) Metro Tech Industrial Park (formerly Plastic City Industrial Park)

In 1997, the Parent Company also entered into a joint venture agreement with its related parties, Inland Container Corporation, International Polymer Corporation, Kennex Container Corporation, Pacific Rehouse Corporation, Rexlon Industrial Corporation and Ropeman International Corporation, for the development of a certain real estate property into an industrial estate for a developer's fee of equivalent to forty percent (40%) of the net sales proceeds after deducting all relevant taxes and marketing expenses and administrative expenses, with the remaining sixty percent (60%) to be remitted to the owners.

Real estate inventories with a total cost of ₱13.46 million as at December 31, 2016 and 2015, were used as collateral for borrowings obtained from Luzon Development Bank in 2013 (see Note 12). Aside from the aforementioned information, no other real estate inventories as at December 31, 2016 and 2015 are held as collateral for its liabilities.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2016	2015
Creditable withholding taxes	**₱ 18,861,862**	₱ 16,419,874
Input taxes	**6,995,397**	6,632,848
Prepaid expenses	**744,224**	1,328,571
	₱ 26,601,483	₱ 24,381,293

Prepaid expenses pertain to prepaid insurance, rental, taxes and licenses, and office supplies.

8. INVESTMENT PROPERTY

The Group's investment property pertains to the remaining 91 hectares of land located in Davao which was not covered by the Comprehensive Agrarian Reform Law.

The cost of investment property amounted to ₱1,072,016 as at December 31, 2016 and 2015.

The zonal value which is indicative of the market value of the investment property as at December 31, 2016 and 2015 at ₱50/sq,m. is equivalent to ₱45,500,000. Zonal value is the fair market value of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

9. PROPERTY AND EQUIPMENT (net)

Reconciliation of the Group's property and equipment (net) as at December 31 is as follows:

December 31, 2016	**Building and improvements**	**Transportation equipment**	**Machinery, furniture and fixtures**	**Total**
Cost				
At beginning of year	**₱ 78,693,042**	**₱ 5,085,686**	**₱ 40,241,762**	**₱ 124,020,490**
Additions	–	–	**133,580**	**133,580**
At end of year	**78,693,042**	**5,085,686**	**40,375,342**	**124,154,070**
Accumulated depreciation				
At beginning of year	**33,531,109**	**₱ 3,997,360**	**₱ 39,135,151**	**₱ 76,663,620**
Depreciation	**2,385,125**	**369,148**	**682,987**	**3,437,260**
At end of year	**35,916,234**	**4,366,508**	**39,818,138**	**80,100,880**
Carrying amount as at December 31, 2016	**₱ 42,776,808**	**₱ 719,178**	**₱ 557,204**	**₱ 44,053,190**

Reconciliation of the Group's property and equipment (net) as at December 31, 2015 is as follows:

	Building and improvements	Transportation equipment	Machinery, furniture and fixtures	Total
Cost				
At beginning of year	₱ 78,693,042	₱ 4,765,240	₱ 39,597,949	₱ 123,056,231
Additions	−	680,446	643,813	1,324,259
Disposal	−	(360,000)	−	(360,000)
At end of year	78,693,042	5,085,686	40,241,762	124,020,490
Accumulated depreciation				
At beginning of year	31,145,984	3,897,757	38,453,550	73,497,291
Depreciation	2,385,125	357,603	681,601	3,424,329
Disposal	−	(258,000)	−	(258,000)
At end of year	33,531,109	3,997,360	39,135,151	76,663,620
Carrying amount as at December 31, 2015	₱ 45,161,933	₱ 1,088,326	₱ 1,106,611	₱ 47,356,870

The Group recognized loss on sale of transportation equipment amounting to ₱22,000 in 2015 (see Note 20).

Fully depreciated property and equipment still in use as at December 31, 2016 and 2015 amounted to ₱76,318,801 and ₱47,356,837, respectively.

Based on the impairment review of the property and equipment, the Group believes that there is no indication that an impairment loss had occurred as at December 31, 2016 and 2015.

10. OTHER NONCURRENT ASSETS

Other noncurrent assets as at December 31 consist of:

	2016	2015
Refundable deposits	**₱ 6,386,355**	₱ 6,283,863
Other assets	**243,463**	243,463
	₱ 6,629,818	₱ 6,527,326

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

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

	2016	2015
Accounts payable	**₱21,684,141**	₱34,181,625
Deferred output VAT and other taxes payable	**14,796,818**	14,877,044
Accrued expenses	**5,421,109**	8,696,870
Other payables	**10,938,670**	7,565,693
	₱52,840,776	₱65,321,232

Deferred output VAT arises from the Group's installment contracts, the collections on which did not reach 25% of the contract price at the time the sale was recognized.

Other payables composed mainly of collections from customers for payment of titling and property taxes.

12. BORROWINGS

Borrowings as at December 31 consist of:

	2016	2015
Current	**₱ 43,432,981**	₱ 31,542,665
Noncurrent	**34,902,442**	45,552,461
	₱ 78,335,423	₱ 77,095,126

The details of borrowings of the Group are as follows:

	Outstanding balance		
Bank/ Lender	**2016**	2015	Loan type and significant terms
Luzon Development Bank	**₱ 50,550,349**	₱ 55,138,272	Notes payable amounting to ₱35 million in 2012 and additional ₱35 million during 2015, obtained for working capital requirements. The notes carry interest rate of 10% p.a. and payable in 6 years, with interest payable monthly in advance. The loan is secured by real estate inventories with a total cost of ₱13.46 million (see Note 6).
CV Financial Corporation	**18,272,996**	21,956,854	Borrowings from CV Financial Corporation represents selling of installment accounts receivables by virtue of various contracts to sell for a consideration of ₱21,500,135 in 2015 and ₱23,531,797 in 2016.
Home Development Mutual Fund	**9,512,078**	–	Promissory note represents House Construction Financing Line payable within twelve (12) months from date of initial drawdown with maturity for subsequent drawdowns shall be the same date as that of initial drawdown. The note carries an interest rate of 6.125% p.a. and shall be paid quarterly
	₱ 78,335,423	₱ 77,095,126	

Finance costs charged to operations amounted to ₱11,783,857 and ₱10,454,947 in 2016 and 2015, respectively, and presented as finance costs in the consolidated statements of comprehensive income.

13. CUSTOMERS' DEPOSITS

Customers' deposits represent reservation fees and initial collections received from the customers before the two parties enter into a sales agreement for the sale transaction. These were payments from buyers which had not reached the minimum required percentage. When the level of required percentage is reached by the buyer, sale is recognized and these deposits and down payments will be recognized as revenue and will be applied against the installment contract receivable balance.

As at December 31, 2016 and 2015, outstanding balance of the customers' deposits amounted to ₱1,597,093 and ₱1,654,502, respectively.

14. RETENTION PAYABLE AND GUARANTEE BONDS

Retention payable and guarantee bonds as at December 31 consist of:

	2016	2015
Retention payable	**₱ 15,823,128**	₱ 14,886,550
Guarantee bonds	**9,292,948**	8,771,234
	₱ 25,116,076	₱ 23,657,784

Retention payable pertains to ten percent (10%) of each progress payment retained by the Group until full completion of the contract. The full amount of retention will be released by the Group to the contractors after the full completion and acceptance of satisfactory works by the Group and submission of the original, signed and sealed sets of prints of "As-built" drawings and Guarantee Bond equivalent to ten percent (10%) of the contract amount.

The guarantee bond equivalent to ten percent (10%) of the contract price covering a period of one year after the final completion of contracted jobs to answer for faulty and/or defective materials or workmanship was also recognized and recorded as retention payable.

15. DEFERRED GROSS PROFIT

This account represents the difference between the contract price and the estimated cost of real estate projects sold which are not yet completed as at financial reporting date and to be realized thereafter based on the percentage of completion of the real estate inventories sold. As at December 31, 2016 and 2015, deferred gross profit amounted to ₱40,902,333 and ₱72,171,223, respectively. Realized gross profit for current and prior year sales amounted to ₱69,960,774 and ₱63,894,672 in 2016 and 2015, respectively.

16. CAPITAL STOCK

Details of capital stock as at December 31 are as follows:

Capital stock	Number of share	Par value per share	Total
Authorized	**5,000,000,000**	**₱ 1**	**₱ 5,000,000,000**
Issued and outstanding	**1,445,549,830**	**₱ 1**	**₱ 1,445,549,830**

The Group has one (1) class of common shares which carry no right to fixed income.

Track Record of Registration of Securities

The Parent Company was originally registered as Philippine Cocoa Estates Corporation with the SEC on May 30, 1983 with an authorized capital stock of ₱1 million primarily to engage in all phases of agriculture. On February 29, 1984, the Group increased its authorized capital stock to ₱140 million. The Group was listed with the PSE on November 1, 1984.

On May 8, 1987, the Parent Company with the approval of SEC increased its authorized capital stock to ₱180 million and on October 22, 1987, increased to ₱300 million.

In 1996, The Wellex Group, Inc. (TWGI) gained majority control of the Group and revamped its management. The new management opted for a change in business focus from agriculture to real estate, with the corporate vision of becoming a world-class real estate developer.

To align the Group to this new corporate vision, management applied with the SEC for approval to carry out certain strategic corporate changes. Thus, on May 16, 1996, SEC approved the proposed changes, namely: (a) the change in the primary purpose clause from agriculture to the business of holding and developing real estate; (b) the change in the corporate name to reflect the new business focus; (c) the removal of the Class "A" and Class "B" classification of the Group's shares; and (d) the change in par value of the shares from ₱10 to ₱1 per share.

Towards achieving its corporate vision, the Parent Company filed an application to increase its authorized capital stock from ₱300 million to ₱5 billion. Out of this increase of ₱4.7 billion, the amount of ₱1,194,333,800 was subscribed and paid up by five corporate investors. The principal part of the subscription was paid up by way of transfers to the Group of 45 parcels of land valued at ₱1,161,833,800, while a smaller portion of the subscription, amounting to ₱32,500,000 was paid through conversion of debt to equity. The increase in authorized capital stock to ₱5 billion was approved by SEC on March 26, 1997.

Number of shares owned by public totaled 759,168,360 shares and 759,980,740 shares or a public ownership of 52.60% and 52.60% as at December 31, 2016 and 2015, respectively.

The historical market value of the Group's shares follows:

	Market value per share
December 31, 2016	**₱ 0.280**
December 31, 2015	0.285
December 31, 2014	0.390

17. REAL ESTATE SALES

Real estate sales for the years ended December 31 on the various projects are as follows:

	2016	2015	2014
Lot	**₱ 46,940,567**	₱ 77,827,344	₱ 71,817,189
House and lot	**22,561,782**	45,976,784	46,890,609
	₱ 69,502,349	₱ 123,804,128	₱118,707,798

18. COST OF REAL ESTATE SOLD

Cost of real estate sold for the years ended December 31 is as follows:

	2016	2015	2014
Lot	**₱ 20,474,774**	₱ 35,256,710	₱ 32,373,948
House and lot	**8,118,025**	20,092,409	23,399,864
	₱ 28,592,799	₱ 55,349,119	₱ 55,773,812

19. OTHER INCOME

Details of other income for the years ended December 31 are as follows:

	2016	2015	2014
Finance income from:			
Advances to affiliates – note 21	**₱ 6,994,594**	₱ 7,171,785	₱ 7,054,542
Installment contracts receivables – note 5	**1,562,299**	2,195,655	3,012,211
Cash in bank – note 4	**8,271**	22,338	8,360
Reversal of impairment loss on advances to related parties – note 21	**2,384,888**	2,310,405	7,434,134
Income from lawsuit	–	974,382	13,486,349
Miscellaneous income	**829,486**	333,730	676,597
	₱ 11,779,538	₱ 13,008,295	₱ 31,672,193

On December 1, 2014, the Group and Kummassie Plantation Co., Inc. (‘Kummassie’) entered into Compromise Agreement for the determination of the payment for just compensation involving an amount of ₱26.3 million. The Group is a party to a civil case filed by Kummassie against the Landbank of the Philippines for the determination of just compensation for the conflicting claims on the value of agricultural assets on a leased property, filed before the Regional Trial Court (RTC) of Davao City. A decision by the RTC of Davao was reached on December 15, 2014 through a Compromise Agreement, in which the Group will receive 60% of the principal amount and interest. In the years ended December 31, 2016 and 2015, the Group received Nil and ₱974,382, respectively.

20. OPERATING EXPENSES

Operating expenses for the years ended December 31 are as follows:

	2016	2015	2014
Salaries and wages	**₱16,711,935**	₱16,518,712	₱16,353,711
Travel and transportation	**5,329,333**	5,499,606	1,509,417
Commissions	**4,944,304**	6,001,919	7,058,703
Taxes and licenses	**3,828,559**	7,483,561	6,354,628
Depreciation - note 9	**3,437,260**	3,424,329	3,785,727
Professional and legal fees	**2,413,032**	2,678,168	2,327,909
Communication, light and water	**2,040,978**	2,286,549	2,231,552
Employee benefits	**2,013,907**	1,808,632	2,127,586
Advertising	**1,798,275**	2,664,526	3,928,495
Loss on cancelled contracts	**1,732,014**	1,588,220	3,266,898
Retirement benefits expense – note 24	**1,462,730**	1,193,335	1,349,067
Supplies	**826,804**	1,081,097	905,983
Rental – note 26	**681,167**	601,776	544,296
Dues and subscription	**669,379**	691,498	706,885
Repairs and maintenance	**486,513**	604,673	578,298
Security services	**455,382**	955,469	1,138,424
Representation and entertainment	**348,561**	336,852	605,163
Janitorial services	**254,366**	243,167	61,633
Insurance	**235,187**	108,199	191,432
Director fees	**100,000**	200,000	160,000
Meetings, trainings and seminars	**88,581**	1,038,434	785,048
Penalty fee, interests and surcharges	**57,932**	3,363,748	1,153,673
Loss on disposal of property and equipment – note 9	–	22,000	–

Miscellaneous	**3,045,950**	3,300,017	1,505,203
	₱52,962,149	₱63,694,487	₱58,629,731

Miscellaneous expenses composed mainly of bank charges, expenses incurred during board meetings, Christmas expenses and notarial fees.

21. RELATED PARTY TRANSACTIONS

The Group makes advances to and from related parties for working capital requirements and for those related to joint venture agreements and other transactions.

Details of the Group's advances to related parties for the years ended December 31, 2016 and 2015 are as follows:

December 31, 2016	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ application/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	**₱ 176,991,937**	**₱ –**	**₱3,470,430**	**₱ –**	**₱ 180,462,367**
Forum Holdings Corp. *(b)*	**72,749,729**	–	**1,426,465**	–	**74,176,194**
Kennex Container Corp. *(b)*	**32,704,720**	–	**553,916**	–	**33,258,636**
Orient Pacific Corp. *(b)*	**31,819,404**	–	**445,640**	–	**32,265,044**
Heritage Pacific Corp. *(b)*	**19,021,618**	–	**372,973**	–	**19,394,591**
Metro Alliance Holdings and Equity Corp. *(d)*	**18,288,144**	–	**358,591**	**(18,646,735)**	–
Noble Arch Realty and Construction *(c)*	**3,517,176**	**100,893**	**361,128**	–	**3,979,197**
Bataan Polytethylene Corp.	**179,709**	–	**3,523**	–	**183,232**
The Wellex Group, Inc.	**2,659,697**	**25,278,926**	–	**(5,273,263)**	**22,665,360**
Stockholders					
International Polymer Corp. *(b)(f)*	**1,188,374**	–	**1,928**	–	**1,190,302**
	359,120,508	**25,379,819**	**6,994,594**	**(23,919,998)**	**367,574,923**
Allowance for impairment					
Plastic City Corp.	**22,466,500**	–	–	–	**22,466,500**
Forum Holdings Corp.	**9,714,260**	–	–	–	**9,714,260**
International Polymer Corp.	**96,319**	–	–	–	**96,319**
Kennex Container Corp.	**2,789,138**	–	–	–	**2,789,138**
Orient Pacific Corp.	**3,161,455**	–	–	–	**3,161,455**
Heritage Pacific Corp.	**2,769,393**	–	–	–	**2,769,393**
Metro Alliance Holdings and Equity Corp.	**2,384,888**	–	–	**(2,384,888)**	–
Bataan Polyethylene Corp.	**153,468**	–	–	–	**153,468**
	43,535,421	–	–	**(2,384,888)**	**41,150,533**
	₱ 315,585,087	**₱ 25,379,819**	**₱ 6,994,594**	**(₱21,535,110)**	**₱ 326,424,390**

December 31, 2015	At beginning of Year	Additional advances/ Impairment	Accrual of interest	Collection/ application/ reversal of impairment	At end of year
Common key management					
Plastic City Corp. *(a)*	₱ 173,521,507	₱ –	₱ 3,470,430	₱ –	₱ 176,991,937
Forum Holdings Corp. *(b)*	71,323,264	–	1,426,465	–	72,749,729
Kennex Container Corp. *(b)*	27,695,810	4,443,915	564,995	–	32,704,720
Orient Pacific Corp. *(b)*	31,373,764	–	445,640	–	31,819,404
Heritage Pacific Corp. *(b)*	18,648,645	–	372,973	–	19,021,618
Metro Alliance Holdings and Equity Corp. *(d)(e)*	17,929,553	–	358,591	–	18,288,144
Noble Arch Realty and Construction *(c)*	18,098,212	57,836	361,128	(15,000,000)	3,517,176
Bataan Polytethylene Corp.	176,185	–	3,524	–	179,709
The Wellex Group, Inc.	8,305,638	11,036,876	166,113	(16,848,930)	2,659,697
Stockholder					
International Polymer Corp. *(b)(f)*	96,319	1,291,270	1,926	(201,141)	1,188,374

	367,168,897	16,829,897	7,171,785	(32,050,071)	359,120,508
Allowance for impairment					
Plastic City Corp.	22,466,500	–	–	–	22,466,500
Forum Holdings Corp.	9,714,260	–	–	–	9,714,260
International Polymer Corp.	96,319	–	–	–	96,319
Kennex Container Corp.	2,789,138	–	–	–	2,789,138
Orient Pacific Corp.	3,161,455	–	–	–	3,161,455
Heritage Pacific Corp.	2,769,393	–	–	–	2,769,393
Metro Alliance Holdings and Equity Corp.	2,384,888	–	–	–	2,384,888
Noble Arch Realty and Construction	2,310,405	–	–	(2,310,405)	–
Bataan Polyethylene Corp.	153,468	–	–	–	153,468
	45,845,826	–	–	(2,310,405)	43,535,421
	₱ 321,323,071	₱16,829,897	₱ 7,171,785	(₱29,739,666)	₱315,585,087

Details of the Group's advances from related parties as at December 31, 2016 and 2015 are as follows:

December 31, 2016	**At beginning of Year**	**Additional advances from related parties**	**Settlement/ Reversal**	**At end of year**
Common key management				
Concept Moulding Corp.	**₱ 3,830,646**	**₱ –**	**₱ –**	**₱ 3,830,646**
Pacific Rehouse Corp.	**27,704,743**	**–**	**(115)**	**27,704,628**
Waterfront Cebu City Hotel	**92,054,457**	**–**	**–**	**92,054,457**
Manila Pavilion	**166,530**	**–**	**–**	**166,530**
	₱123,756,376	**₱ –**	**(₱ 115)**	**₱123,756,261**

December 31, 2015	At beginning of Year	Additional advances from related parties	Settlement/ Reversal	At end of year
Common key management				
Concept Moulding Corp.	₱ 3,830,646	₱ –	₱ –	₱ 3,830,646
Pacific Rehouse Corp.	27,738,603	–	(33,860)	27,704,743
Waterfront Cebu City Hotel	97,754,457	–	(5,700,000)	92,054,457
Manila Pavilion	166,530	–	–	166,530
	₱ 129,490,236	₱ –	(₱5,733,860)	₱123,756,376

a) Plastic City Corporation (PCC)

Advances to PCC represent interest bearing cash advances which bears an interest of 13% per annum. In 2009, PCC committed to pay by way of transfer of eleven (11) properties located at Metrotech Industrial Park with a total area of 21,475 sq.m. valued at ₱6,450/sq.m. The transfer, however, did not materialize in 2009 because of an impending "Us pendens" case that was resolved with finality only on March 26, 2010. Subject properties were purchased by Plastic City Corporation from the Philippine National Bank (foreclosed properties) which were subject of the abovementioned case filed by Quisumbing et, al. The Supreme Court issued its final decision, in favor of PNB.

On May 2, 2011, PCC and the Group re-entered into a memorandum of agreement wherein PPC will transfer the ownership of the said properties as payment to its outstanding obligation to the Group. As at December 31, 2016 and 2015, the outstanding advances to PCC has not been settled pending transfer of property from PNB to PCC.

c) Forum Holdings Corp. (FHC), International Polymer Corporation (IPC), Kennex Container Corp. (KCC), Orient Pacific Corporation (OPC), and Heritage Pacific Corporation (HPC)

In 2009, FPH, IPC, KCC, OPC and HPC executed respective unsecured promissory notes (PN) to cover their respective outstanding advances to the Group with terms ranging from three to five years and bear interest of three percent (3%) per annum, renewable upon agreement of the parties. These PNs were renewed in 2014 with a three-year term, which will mature in 2017, and an interest of two percent (2%) per annum. These cash advances are to be settled through cash payments. On December 29, 2016, the PNs were renewed for another three (3) years and will mature on 2020.

c) Noble Arch Realty and Construction Corporation (NARCC)

In 2005, NARCC entered into a Contract to Sell with Union Bank of the Philippines involving eight (8) parcels of land located in Valenzuela City, with an aggregate area of 15,997 square meters.

For the purpose of paying the obligation arising from the abovementioned contract, NARCC sought the assistance of the Group through subsequent interest bearing cash advances.

In 2008, for the purpose of paying off its advances from the Group, NARCC executed a Deed of Assignment, conveying to the Group, all its rights, interest and title under the Contract to Sell between NARCC and Union Bank.

On March 23, 2015, the properties were transferred to the Group through Deed of Absolute Sale executed by the Group and Union Bank of the Philippines.

As at December 31, 2016 and 2015, the deed of assignment is pending due to the delay in the transfer of ownership from the bank to the Group (assignee).

d) Metro Alliance Holdings and Equity Corporation (MAHEC)

The Group provides unsecured advances to Metro Alliance Holdings and Equity Corporation with principal amount of ₱2,152,577 which bear interest at the rate of 2% per annum. The Group and MAHEC have not yet agreed on the mode of settlement of advances. The PN was renewed in 2014 for a three-year term, which will mature in 2017, and an interest of two percent (2%) per annum. On December 29, 2016, the Company issued a Tripartite Agreement wherein TWGI will assume the outstanding balance of MAHEC. Consequently, the corresponding allowance for impairment amounted to ₱2,384,888 was reversed during the year.

e) Installment contract receivables from TWGI and IPC

In addition to the advances made to related parties, the Group also has installment contracts receivables from related parties due beyond one year as follows (see Note 5):

	2016	2015
The Wellex Group, Inc.	**₱ 27,552,410**	₱ 27,552,410
International Polymer Corporation	**3,731,919**	10,005,519
	₱31,284,329	₱ 37,557,929

f) Salaries of key management

Key management is defined as those with position of assistant manager and above who are involved in the decision-making policy of the Group. The total remuneration of these personnel is as follows:

	2016	2015	2014
Salaries and wages	**₱ 4,799,460**	₱ 4,482,500	₱ 5,277,221
Other benefits	**436,315**	373,542	439,755
	₱ 5,235,775	₱ 4,856,042	₱ 5,716,976

g) Transaction with the retirement fund

The Group has no transactions with its retirement fund for the years ended December 31, 2016 and 2015.

22. MEMORANDUM OF AGREEMENT WITH AVIDA LAND CORP.

On December 17, 2012, the Group and its related parties, Plastic City Corp. (PCC), Inland Container Corp. (ICC), International Polymer Corp. (IPC), MPC Plastic Corp. (MPC), Westland Pacific Properties Corp. (WPPC), and Kennex Container Corp. (KCC) ('the Landowners'), entered into a Memorandum of Agreement (MOA) with Avida Land Corp. (ALC) for the development of 167,959 sq. meters of land located in T. Santiago St., Canumay, Valenzuela City, into residential projects based on a Master Plan determined by ALC.

Under the MOA, the Landowners shall cede, transfer and convey the property including all its rights and interest on the property. The Landowner shall execute the Deed of Conveyance for the entire or certain portions of property and transfer to ALC full vacant physical possession, free and clear of informal settlers, occupants and encumbrances as may be required in accordance with the development schedule of ALC.

In consideration for the conveyance by the Landowners of the property, the parties shall mutually agree on the value for each portion of the property. As at December 31, 2016, the transfer of property and the project remains pending due to prerequisites still needed to be settled on the transfer of property to ALC.

23. INCOME TAX

Reconciliation of Income Tax Expense

The reconciliation of pretax income computed at the regular corporate income tax rate to the income tax expense as shown in the consolidated statements of comprehensive income is as follows:

	2016	2015	2014
Income before tax	**₱16,994,306**	₱2,753,533	₱16,478,413
Income tax computed at 30%	**5,098,292**	826,060	4,943,524
Tax effect of:			
Nondeductible interest expense	**1,024**	2,765	1,035
Other nondeductible expenses	**564,432**	1,506,966	264,218
Interest income subject to final tax	**(2,481)**	(6,701)	(2,508)
Reversal of allowance for impairment loss	**(715,466)**	(693,122)	(2,230,240)
Expired NOLCO	**9,348,348**	5,420	135,662

Expired MCIT	**724,476**	–	–
	₱15,018,625	₱ 1,641,388	₱ 3,111,691

The components of deferred tax assets and liabilities as at December 31 are as follows:

	2016	2015
Deferred tax assets		
MCIT	**₱ 3,563,749**	₱ 10,664,346
Retirement benefit expense	**2,981,748**	2,542,929
NOLCO	**1,560,280**	3,076,543
	₱ 8,105,777	₱ 16,283,818
Valuation allowance	**(16,155)**	(16,163)
	₱ 8,089,622	₱ 16,267,655
Deferred tax liabilities		
Excess of financial realized gross profit over taxable realized gross profit	**₱ 27,396,532**	₱ 21,767,622
Remeasurement gain on retirement benefits	**1,404,150**	1,105,865
	₱ 28,800,682	₱ 22,873,487

Deferred tax assets and liabilities are determined using the income tax rates in the period the temporary differences are expected to be recovered or settled.

As at December 31, 2016, the Group's NOLCO that can be claimed as deduction from future taxable income follows:

Year of Incurrence	Year of Expiry	2015 Balance	Additions	Expired/Applied	**2016 Balance**
2013	2016	₱31,161,161	₱ –	(₱31,161,161)	**₱ –**
2014	2017	17,722	–	–	**17,722**
2015	2018	4,368,936	–	–	**4,368,936**
2016	2019	–	814,276	–	**814,276**
		₱35,547,819	₱814,276	(₱31,161,161)	**₱ 5,200,934**

As at December 31, 2016, the Group's MCIT that can be claimed as deduction from future income tax payable follows:

Year of Incurrence	Year of Expiry	2015 Balance	Additions	Expired/Applied	**2016 Balance**
2013	2016	₱ 724,476	₱ –	(₱ 724,476)	**₱ –**
2014	2017	1,080,975		–	**1,080,975**
2015	2018	1,271,092	–	–	**1,271,092**
2016	2019	–	1,211,682	–	**1,211,682**
		₱ 3,076,543	₱ 1,211,682	(₱ 724,476)	**₱ 3,563,749**

24. RETIREMENT BENEFITS OBLIGATION

The Group has a funded, noncontributory tax-qualified defined benefits type of pension plan covering substantially all of its employees. The benefits are generally based on defined contribution formula with minimum lump-sum guarantee of 100% of the latest monthly salary per year of credited service.

The Group appointed a trustee bank to be responsible for the general administration of the retirement plan and retirement fund.

Actuarial valuations are made at least every one (1) to two (2) years. The Group's annual contributions to the defined benefits plan consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable. The Group's latest actuarial valuation was as at December 31, 2016.

The movement in the retirement benefits obligation for the years ended December 31, 2016 and 2015 is as follows:

	Present value of retirement benefits obligation	**Fair value of plan assets**	**Net retirement benefits obligation**
December 31, 2015	**₱ 5,636,964**	**(₱ 846,749)**	**₱ 4,790,215**
Retirement expense:			
Current service costs	1,217,471	–	1,217,471
Interest expense (income)	288,613	(43,354)	245,259
	1,506,084	**(43,354)**	**1,462,730**
Re-measurements, gross of tax:			
Actuarial loss arising from:			
Changes in financial assumptions	(90,147)	–	(90,147)
Loss (gain) on experience/return	(937,546)	33,407	(904,139)
	(1,027,693)	**33,407**	**(994,286)**
As at December 31, 2016	**₱ 6,115,355**	**(₱ 856,696)**	**₱ 5,258,659**

	Present value of retirement benefits obligation	Fair value of plan assets	Net retirement benefits obligation
December 31, 2014	₱ 1,611,003	(₱ 1,055,432)	₱ 555,571
Retirement expense:			
Current service costs	1,158,944	–	1,158,944
Interest expense (income)	83,611	(49,220)	34,391
Benefits paid from plan assets	(214,154)	214,154	–
	1,028,401	164,934	1,193,335
Re-measurements, gross of tax:			
Actuarial loss arising from:			
Changes in financial assumptions	33,787		33,787
Deviation of experience from Assumptions	2,963,773	–	2,963,773
Loss on plan asset	–	43,749	43,749
	2,997,560	43,749	3,041,309
As at December 31, 2015	₱ 5,636,964	(₱ 846,749)	₱ 4,790,215

The total retirement benefits expense recognized is included in operating expenses in 2016 and 2015 (see Note 20).

The fair value and carrying amount of the Parent Company's retirement plan assets as at December 31 consist of:

	2016	2015
Government bonds and securities	**₱ 638,239**	₱ 639,550
Cash	**163,372**	129,383
Net other assets	**55,085**	77,816
	₱ 856,696	₱ 846,749

The Group's plan assets are managed by a trustee bank, which is authorized to determine how the funds are invested with the objective of obtaining optimal return. The fair value of the plan assets measured using the market-to-market approach.

The principal actuarial assumptions used at December 31 are as follows:

	2016	2015
Discount rate	**5.38%**	5.12%
Salary rate increase	**5.00%**	5.00%

The discount rate at December 31, 2016 and 2015 was based on the PDEx (PDST-R2) benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The sensitivity of the defined benefit obligation (DBO) to changes in the weighted principal assumptions is as follows:

	Impact on defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate	100 bps	Decrease by 5.3%	Increase by 6.0%
Salary increase rate	100 bps	Increase by 5.3%	Decrease by 4.8%

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

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

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which are as follows:

a) Asset volatility – The plan liabilities are calculated using a discount rate set with reference to government bonds, if plan assets underperformed this yield, this will create a deficit. Most of the assets of the plan are equities, which are expected to outperform government bonds in the long-term while providing volatility and risk in the short-term.

b) Changes in bond yield – A decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The Group does not expect any contributions to post-employment benefit plans for the year ending December 31, 2017.

Expected maturity analysis of undiscounted retirement benefits obligation:

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefits obligation	₱ –	₱ –	₱1,757,189	₱4,276,147	₱6,033,336

25. BUSINESS SEGMENT INFORMATION

The Group's operating business segment are organized and managed separately according to location of business activities. The Group's management monitors the operating result of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, financing which includes finance cost, impairment of assets and income taxes are managed on a group basis and are not allocated to operating segments.

The Group classifies business segments based on location of its real property projects as in the following geographical areas:

- Metro Manila – industrial part and condominium projects
- Cebu – subdivision development
- Iloilo – subdivision development
- Davao – administrative office

Geographically, management considers the performance in Metro Manila, Cebu, Iloilo and Davao. Deferred tax assets, borrowings and retirement benefits obligation are not allocated to geographic segments.

The segment information is as follows:

December 31, 2016	**Metro Manila**	**Cebu**	**Iloilo**	**Davao**	**Parent Company Total**
Revenue					
Realized gross profit	**₱ 451,430**	**₱ 43,680,303**	**₱ 25,829,041**	**₱ –**	**₱ 69,960,774**
Other income	**9,708,096**	**682,915**	**1,388,527**	**–**	**11,779,538**
	10,159,526	**44,363,218**	**27,217,568**	**–**	**81,740,312**
Expenses					
Depreciation	**2,871,859**	**530,389**	**35,012**	**–**	**3,437,260**
Loss on cancelled contracts	**459,899**	**371,117**	**900,998**	**–**	**1,732,014**
Other expenses	**30,353,532**	**9,293,408**	**6,147,436**	**535,769**	**46,330,145**
	33,685,290	**10,194,914**	**7,083,446**	**535,769**	**51,499,419**
Segment income (loss)	**(23,525,764)**	**34,168,304**	**20,134,122**	**(535,769)**	**30,240,893**
Finance cost	**9,567,593**	**186,736**	**2,029,528**	**–**	**11,783,857**
Retirement benefits expense	**1,462,730**	**–**	**–**	**–**	**1,462,730**
Provision for income tax	**15,018,625**	**–**	**–**	**–**	**15,018,625**
Net income (loss) for the year	**(₱ 49,574,712)**	**₱ 33,981,568**	**₱ 18,104,594**	**(₱ 535,769)**	**₱ 1,975,681**
Segment assets	**₱ 722,609,066**	**₱ 566,877,490**	**₱ 108,924,458**	**₱ 3,733,210**	**₱1,402,144,224**
Deferred tax asset	**–**	**–**	**–**	**–**	**8,089,622**

	Metro Manila	Cebu	Iloilo	Davao	Parent Company Total
Total assets	**₱ 722,609,066**	**₱ 566,877,490**	**₱ 108,924,458**	**₱ 3,733,210**	**₱1,410,233,846**
Segment liabilities	**₱ 198,743,092**	**₱ 44,864,709**	**₱ 29,310,631**	**₱ 94,789**	**₱ 273,013,221**
Borrowings	**68,823,346**	**9,512,078**	**–**	**–**	**78,335,423**
Retirement benefits obligation	**–**	**–**	**–**	**–**	**5,258,659**
Total liabilities	**₱267,566,438**	**₱ 54,376,787**	**₱ 29,310,631**	**₱ 94,789**	**₱ 356,607,303**

December 31, 2015	Metro Manila	Cebu	Iloilo	Davao	Parent Company Total
Revenue					
Realized gross profit	₱ 357,078	₱ 55,772,410	₱ 7,765,184	₱ –	₱ 63,894,672
Other income	10,602,726	1,446,622	958,947	–	13,008,295
	10,959,804	57,219,032	8,724,131	–	76,902,967
Expenses					
Depreciation	2,749,075	607,367	67,887	–	3,424,329
Loss on cancelled contracts	–	1,343,664	244,556	–	1,588,220
Other expenses	36,733,503	13,545,906	6,716,574	492,620	57,488,603
	39,482,578	15,496,937	7,029,017	492,620	62,501,152
Segment income (loss)	(28,522,774)	41,722,095	1,695,114	(492,620)	14,401,815
Finance cost	10,454,947	–	–	–	10,454,947
Retirement benefits expense	1,193,335	–	–	–	1,193,335
Provision for income tax	1,641,388	–	–	–	1,641,388
Net income (loss) for the year	(₱ 41,812,444)	₱ 41,722,095	₱ 1,695,114	(₱ 492,620)	₱ 1,112,145
Segment assets	₱ 961,176,058	₱338,380,364	₱125,988,384	₱ 462,346	₱ 1,426,007,152
Deferred tax assets	–	–	–	–	16,267,655
Total assets	₱ 961,176,058	₱338,380,364	₱125,988,384	₱ 462,346	₱ 1,442,274,807
Segment liabilities	₱ 139,272,133	₱ 72,723,929	₱ 32,022,521	₱ 94,789	₱ 244,113,372
Borrowings	–	–	–	–	77,095,126
Retirement benefits obligation	–	–	–	–	4,790,215
Total liabilities	₱ 139,272,133	₱ 72,723,929	₱ 32,022,521	₱ 94,789	₱ 391,319,945

Although Davao segment does not meet the quantitative thresholds required by PFRS 8 for reportable segments as at December 31, 2016 and 2015, management has concluded that this segment should be reported, as it is closely monitored for potential growth that would contribute to revenue in the future.

26. LEASE COMMITMENTS

The Group has various non-cancellable lease agreements which are renewable upon mutual agreement with lessors as follows:

Lessor	Lease period
Arjay Realty	August 1, 2014 to August 1, 2017
Eumarc Real Estate	May 1, 2015 to June 30, 2020
Eumarc Real Estate	June 15, 2015 to June 30, 2020

The future annual minimum lease payments are as follows:

	2016	2015
Due within 1 year	**₱ 480,335**	₱ 634,288
Due beyond 1 year but not more than 5 years	**922,415**	1,138,446
	₱ 1,402,750	₱ 1,772,734

The lease commitments entered into by the Group represents the lease of office spaces occupied by the branches.

Total rent expense incurred by the Group related to lease of office space amounted to ₱681,167, ₱601,776 and ₱544,296 in 2016, 2015 and 2014, respectively (see Note 20).

27. CONTINGENCIES

a) Claims from expropriated property in Chateaux Geneva

In 2006, portions of Chateaux Geneva were involved in an expropriation cased filed by the government versus the Parent Company and PRC for the Iloilo Flood Control Project of the Department of Public Works and Highways (DPWH).

In 2006, the court, ordered DPWH to pay an initial deposit of ₱188,313,599, based on zonal value of ₱1,800 per square meter for the area covered by the initial expropriation petition of DPWH totaling 84,925 square meters of land that was directly traversed by the Floodway plus the provisional value of improvements and/or structures amounting to ₱35,448,599. In December of the same year, the Parent Company received from DPWH the initial amount of ₱127,867,244. Immediately thereafter, on January 2007, the amount of ₱60,446,355 was also directly deposited to the bank as agreed by the parties, for a total of ₱188,313,599.

In 2007, the Parent Company remitted to PRC the amount of ₱107,368,053 as its share in the initial deposit of DPWH. In December 2007, the government filed a second expropriation case involving properties of the Parent Company and PRC adjacent to the lands covered in the first expropriation case. These properties were also affected by the same Iloilo Flood Control Project, which DPWH failed to include in the first expropriation case. For this second expropriation, there was a second (2^{nd}) portion of payment amounting to ₱11,987,520 of which ₱5,405,775 of the said amount was remitted to PRC in January 2008.

The case is under protest by the Parent Company and pending court decision. The Parent Company and PRC claimed just compensation amounting to ₱2,598,661,688 for the total land area that was expropriated, the existing improvements thereon, the affected areas for redesigning and restructuring, the professional and technical services and the necessary provisions for damages.

The expropriation cases for the determination of just compensation are still ongoing as at December 31, 2016.

b) Other lawsuits and claims

The Parent Company is contingently liable for existing lawsuits and claims from third parties, arising from the ordinary course of business. Management believes that the ultimate liability for the abovementioned lawsuits and claims, if any, would not be material in relation to the financial position and operating results of the Parent Company.

28. EARNINGS PER SHARE

The following table presents information necessary to calculate the earnings (loss) per share:

	2016	2015	2014
Net income	**₱ 1,975,681**	₱1,112,145	₱13,366,722

Weighted average number of common shares outstanding during the year	**1,445,549,830**	1,445,549,830	1,445,549,830
Earnings per share	**₱ 0.001**	₱ 0.001	₱ 0.009

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors (BOD) is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

The Group is exposed to a variety of financial risks, which result from both its operating and investing activities. The Group's principal financial instruments consist of cash, trade and other receivables, advances to and from related parties, accounts payable and other liabilities, borrowings, and retention payable and guarantee bonds. The main purpose of these financial instruments is to raise finance for the Group's operations.

Financial risk management by the Group is coordinated with its BOD, in close cooperation with the local management. The Group's policies and guidelines cover credit risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors, and manages its financial risk exposure by various functions pursuant to the segregation of duties principles.

The Group forms a framework of guidelines and regulations for the management of financial risks, which result from its operating activities. The most significant financial risks to which the Group is exposed to are described below.

a) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements), as summarized below:

	2016	2015
Cash in bank	**₱ 8,902,544**	₱ 11,392,059
Trade and other receivables	**291,333,462**	328,038,356
Advances to related parties (net)	**326,424,390**	315,585,087
Refundable deposits classified as "Other noncurrent assets"	**6,386,355**	6,283,863
	₱ 633,046,751	₱661,299,365

The credit quality of financial assets is discussed below:

Cash

The Group deposits its cash in a commercial and universal bank to minimize credit risk exposure.

Trade and other receivables

Credit risk from installments contract receivables is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default. Customer payments are facilitated through various collection modes including the use of post-dated checks and direct bank deposit arrangements. Exposure to bad debts is not significant and the requirement for remedial procedures is minimal given the profile of buyers.

In addition, the Group has the right to forfeit all payments made by the customer including the real estate properties sold upon default subject to terms of the contract. The Group has the liberty to dispose forfeited real estate properties subject to terms of the contract.

In respect to other receivable, the Group is not exposed to any significant credit, risk concentration in any single counterparty or any group of counterparties having similar characteristics.

Advances to related parties

The Group is pursuing cash collection of the advances to related parties within 2016. In addition, the Group has entered into various arrangements with related parties to secure payment of receivables such as execution of PN on real estate mortgage. In the event the related parties are not in position to pay in cash, collection shall be effected by way of transfer of properties that have been identified and are strategically located in Metro Manila, Cebu, Iloilo and Davao.

The aging and quality of financial assets exposed to credit risk is shown below:

December 31, 2016	**Total**	**Neither Past due nor impaired**	**Past due but not impaired 1 – 30 days**	**31 – 60 days**	**61 – 120 Days**	**Over 121 days**	**Past due and Impaired**
Cash in bank	**₱ 8,902,544**	**₱ 8,902,544**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables, gross	**291,911,956**	**173,905,574**	**675,302**	**2,440,759**	**4,725,333**	**109,008,000**	**578,494**
Advances to related parties, gross	**367,574,923**	**326,424,390**	**–**	**–**	**–**	**–**	**41,150,533**
Refundable deposits	**6,386,355**	**6,386,355**	**–**	**–**	**–**	**–**	**–**
	₱ 674,775,778	**₱ 515,618,863**	**675,302**	**2,440,759**	**4,725,333**	**109,008,000**	**41,729,027**

December 31, 2015	Total	Neither Past due nor impaired	Past due but not impaired 1 – 30 days	31 – 60 days	61 – 120 days	Over 121 days	Past due and Impaired
Cash	₱ 11,392,059	₱ 11,392,059	₱ –	₱ –	₱ –	₱ –	₱ –
Trade and other receivables, gross	328,616,850	208,508,404	4,364	4,224,502	9,227,705	106,073,381	578,494
Advances to related parties, gross	359,120,508	315,585,087	–	–	–	–	43,535,421
Refundable deposits	6,283,863	6,283,863	–	–	–	–	–
	₱705,413,280	₱541,769,413	₱ 4,364	₱4,224,502	₱9,227,705	₱106,073,381	₱44,113,915

a) Liquidity risk

To cover the Group's financing requirements, financial readiness is maintained in the form of centrally available liquid fund and committed credit facilities extended by banks in the form of development loans and rediscounting of receivables. As part of the Group's liquidity program, a regular monitoring of financial ratios is being done. Regular analysis shows that these financial ratios indicate positive liquidity condition.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payment 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 6-month and one-year period are identified monthly.

As at December 31, 2016 and 2015, the Group's financial liabilities have contractual maturities (with accounts payable and other liabilities excludes deferred output VAT and other taxes payable) which are presented below:

December 31, 2016	**Maturing in**				
	On Demand	**Less than 6 month**	**6 to 12 Months**	**1 to 5 Years**	**Total**
Accounts payable and other liabilities – note 11	**₱ 52,840,776**	**₱ –**	**₱ –**	**₱ –**	**₱ 52,840,776**
Borrowings – note 12	**–**	**–**	**43,432,981**	**34,902,442**	**78,335,423**
Advances from related parties – note 21	**–**	**–**	**–**	**123,756,261**	**123,756,261**
Retention payable and guarantee bonds – note 14	**–**	**–**	**–**	**25,116,076**	**25,116,076**
	₱ 52,840,776	**₱ –**	**₱43,432,981**	**₱183,774,779**	**₱280,048,536**

December 31, 2015	Maturing in				
	On Demand	Less than 6 month	6 to 12 Months	1 to 5 Years	Total
Accounts payable and other liabilities – note 11	₱65,321,232	₱ –	₱ –	₱ –	₱65,321,232
Borrowings – note 12	–	–	31,542,665	45,552,461	77,095,126
Advances from related parties – note 21	–	–	–	123,756,376	123,756,376
Retention payable and guarantee bonds – note 14	–	–	–	23,657,784	23,657,784
	₱65,321,232	₱ –	₱31,542,665	₱192,966,621	₱289,830,518

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 dates.

c) Market risk

Market risk is the risk of loss of future earnings or future cash flows arising from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchanges rates and other market changes. Market prices comprise three types of risk: Interest rate risk, currency risk, commodity price risk and other price risk such as equity risk. The Group's market risk is manageable within conservative bounds. As at December 31, 2016 and 2015, the Group has not engaged in trading financial instruments and has not maintained financial instruments that are carried at fair value.

Interest rate risk

Interest rate risk is the risk to earnings or capital resulting from adverse movements in the interest rates. The economic perspective of interest rate risk focuses on the value of a bank in the current interest rate environment and the sensitivity of that value to changes in interest rates.

To assure a fair margin of profitability, the Group keeps a reasonable spread between interest rate on contracts receivables and interest rates on borrowings. Fluctuation in interest rates has no material effect on Group's sales since the rates are fixed and predetermined at the inception of the contract.

The Group's policy is to minimize interest rate cash flow risk exposure on long-term financing. Long-term borrowings are therefore usually at fixed rates. At December 31, 2016 and 2015, the Group is exposed to market interest rates through its bank borrowings and cash in bank, trade receivables, and advances to related parties which are subject to fixed interest rates.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding carrying amounts are shown in the following table:

December 31, 2016	**Interest rate**	**Interest Terms**	**Within 1 year**	**Within 1 to 7 years**	**Total**
Financial assets					
Cash (excluding cash on hand)	**0.125% to 0.25%**	**Fixed at the date of investment**	**₱ 8,902,544**	**₱ –**	**₱ 8,902,544**
Installment contract receivables, gross	**18%**	**Fixed at the date of sale**	**114,737,644**	**115,054,414**	**229,792,058**
Advances to related parties, gross	**2%**	**Fixed based on PN issued in 2014 (Note 21)**	**–**	**367,574,923**	**367,574,923**
			₱123,640,188	**₱482,629,337**	**₱ 606,269,525**
Financial liabilities					
Borrowings (excluding non-interest bearing borrowings)	**10%**	**Fixed based on PN issuance**	**₱ 43,432,981**	**₱ 34,902,442**	**₱ 78,335,423**

December 31, 2015	Interest rate	Interest terms	Within 1 year	Within 1 to 7 years	Total
Financial assets					
Cash (excluding cash on hand)	0.125% to 0.25%	Fixed at the date of investment	₱ 11,392,059	₱ –	₱ 11,392,059
Installment contract receivables, gross	18%	Fixed at the date of sale	127,398,419	167,261,138	294,659,557
Advances to related parties, gross	2%	Fixed based on PN issued in 2014 (Note 21)	–	359,120,508	359,120,508
			₱138,790,478	₱526,381,646	₱665,172,124
Financial liabilities					
Borrowings (excluding non-interest bearing borrowings)	10%	Fixed based on PN issuance	₱ 31,542,665	₱ 45,552,461	₱77,095,126

30. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern; and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group defines capital as share capital and deficit for the purpose of capital management.

The Group regards and monitors as its capital the carrying amount of equity as presented on the face of the consolidated statements of financial position amounting to ₱1,053,626,543 and ₱1,050,954,862 as at December 31, 2016 and 2015, respectively.

The Group's goal in capital management is to maintain a minimum debt-to-equity structure ratio of 1:1 to 1:2 on a monthly basis.

	2016	2015
Total liabilities	**₱ 356,607,303**	₱ 391,319,945
Total equity	**1,053,626,543**	1,050,954,862
	1:2.95	1:2.69

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

31. FAIR VALUE ESTIMATION

Assets and liabilities not measured at fair value

The following table gives information about how the fair values of the Company's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting period, are determined.

2016	**Carrying Value**	**Fair value**	**Fair value hierarchy**	**Valuation technique**
Installment contract receivables	**₱ 263,653,609**	**₱ 263,653,609**	**Level 2**	**(a)**
Receivable from contractors	**4,752,170**	**3,769,421**	**Level 2**	**(b)**
Investment property	**1,072,016**	**45,500,000**	**Level 2**	**(e)**
Advances to related parties	**326,424,390**	**307,589,703**	**Level 2**	**(b)**
	₱595,902,185	**₱620,512,733**		
Financial Liabilities at amortized cost				
Advances from related parties	**₱123,756,376**	**₱116,615,525**	**Level 2**	**(c)**
Borrowings	**78,335,412**	**72,516,248**	**Level 2**	**(d)**
Retention payable and guarantee bonds	**25,116,076**	**19,922,071**	**Level 2**	**(b)**
	₱227,207,864	**₱209,053,844**		
2015	Carrying Value	Fair value	Fair value hierarchy	Valuation technique
Installment contract receivables	₱294,659,557	₱294,659,557	Level 2	(a)
Receivable from contractors	4,868,259	4,015,340	Level 2	(b)
Investment property	1,072,016	45,500,000	Level 2	(e)
Advances to related parties	315,585,087	303,328,480	Level 2	(b)
	₱616,184,919	₱647,503,377		
Financial Liabilities at amortized cost				
Advances from related parties	₱123,756,376	₱118,942,253	Level 2	(c)
Borrowings	77,095,126	68,762,241	Level 2	(d)
Retention payable and guarantee bonds	23,657,784	19,512,940	Level 2	(b)
	₱224,509,286	₱207,217,434		

The fair values of cash, current trade receivables and accounts payable and other liabilities approximate their carrying amounts as at reporting dates due to the short-term nature of transactions.

Fair value estimation

(a) The fair value of installment contract receivable included under trade and other receivables are based on the discounted value of future cash using the discount rates of 18% at December 31, 2016 and 2015, respectively.

(b) The fair value of receivable form contractors, retention payable and guarantee bonds is determined based on discounted value using the applicable rate of 4.348% in 2016 and 3.925% in 2015 for fixed income government securities of five (5) years.

(c) The fair value of advances to related parties and advances from related parties is determined based on discounted value using the applicable rate of 2% and 2% to 3.93% in 2016 and 2015, respectively.

(d) The fair value of interest bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable interest rates for similar types of loans. Discount rates used range from 3.517% to 4.7426% in 2016 and 3.875% to 4.000% in 2015.

(e) The fair value was determined by reference to zonal values of real properties located in each zone or area upon consultation with competent appraisers both public and private sector.

* * *

Diaz Murillo Dalupan and Company
Certified Public Accountants

Audit Report on Additional Components of the Consolidated Financial Statements

To the Board of Directors and Stockholders of
PHILIPPINE ESTATES CORPORATION AND SUBSIDIARY
35th Floor, One Corporate Center,
Doña Julia Vargas Ave., corner Meralco Avenue,
Ortigas Center, Pasig City

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Appendices A *"Financial Soundness"*, B *"Map of Conglomerate or Group of Companies within which the Company belongs"* and C *"List of Effective Standards and Interpretations"* and Schedules A to I, to the financial statements are presented for purposes of additional analyses and filing with the Securities and Exchange Commissions, and are not a required part of basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Diaz Murillo Dalupan and Company
Tax Identification No. 003-294-822
BOA/PRC No. 0234, effective until December 31, 2017
SEC Accreditation No. 0192-FR-2, Group A, effective until May 1, 2019
BIR Accreditation No. 08-001911-000-2016, effective until March 17, 2019

By:

Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until April 30, 2017
Tax Identification No. 170-035-673
PTR No. 5918243, January 10, 2017, Makati City
BIR Accreditation No. 08-001911-009-2016 effective until March 17, 2019

April 7, 2017

Local in Touch, Global in Reach
Head Office : 7th Floor, Don Jacinto Building, Dela Rosa corner Salcedo Sts., Legaspi Village, Makati City 1229 Philippines
Telephone: +63(2) 894 5892 - 95 / 894 0273 / 844 9421 - 23 / Fax: +63(2) 818 1872
Cebu Office : Unit 504 Cebu Holdings Building, Cebu Business Park, Mabolo, Cebu City 6000 Phone: +63(32) 415 8108 - 10 / Fax: +63(32) 232 8029
Davao Office : 3rd Floor Building B Plaza De Luisa, Ramon Magsaysay Avenue, Davao City 8000 Phone/Fax: +63(82) 222 6636
Website : www.dmdcpa.com.ph

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
APPENDIX A – FINANCIAL SOUNDNESS
DECEMBER 31, 2016 and 2015

	2016	2015
Profitability ratios:		
Return on assets	**0.14%**	0.08%
Return on equity	**0.19%**	0.11%
Net profit margin	**2.84%**	0.90%
Gross profit margin	**58.86%**	55.29%
Solvency and liquidity ratios:		
Current ratio	**1:6.27**	1:5.18
Quick ratio	**1:1.06**	1:0.98
Debt to equity ratio	**1:0.34**	1:0.37
Cash flow liquidity ratio	**1:0.07**	1:-0.18
Financial leverage ratio:		
Asset to equity ratio	**1:1.34**	1:1.37
Debt to asset ratio	**1:0.25**	1:0.27
Interest rate coverage ratio	**1:2.44**	1:1.26

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
APPENDIX B – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2016

Philippine Estates Corporation
(Parent Company)

Mariano Arroyo Development Corporation
(Subsidiary)

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
APPENDIX C – STANDARDS AND INTERPRETATIONS EFFECTIVE
AS AT DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✔
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
PFRS 3 (Revised)	Business Combinations			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7:	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	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			✔
PFRS 8	Operating Segments	✔		
PFRS 9 (2014)	Financial Instruments			✔
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 10, PFRS 11 and PFRS 12: 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 10, PFRS 11 and PFRS 12: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PFRS 13	Fair Value Measurement	✔		
PFRS 14	Regulatory Deferral Accounts			✔
Philippine Accounting Standards				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
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	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔
PAS 12	Income Taxes	✔		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✔		
PAS 16	Property, Plant and Equipment	✔		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
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			✔
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✔
PAS 27 (Amended)	Separate Financial Statements			✔
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✔
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
PAS 36	Impairment of Assets	✔		
	Amendments 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 16 and 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			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Accounting of Forecast Intragroup Transactions			
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items			✔
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔
PAS 40	Investment Property			✔
PAS 41	Agriculture			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 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			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	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			✔
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			✔
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases – Incentives			✔
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✔
SIC-29	Service Concession Arrangements: Disclosures.			✔
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2016

Name of issuing entity and associate of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued

Not Applicable

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016

Name and designation of debtor	Balance at beginning of period	Additional	Accrual of Interest	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Plastic City Corp.	₱176,991,937	₱ –	₱3,470,430	₱ –	₱ –	₱ –	₱180,462,367	₱180,462,367
Forum Holdings Corp.	72,749,729	–	1,426,465	–	–	–	74,176,194	74,176,194
Kennex Container Corp.	32,704,720	–	553,916	–	–	–	33,258,636	33,258,636
Orient Pacific Corp.	31,819,404	–	445,640	–	–	–	32,265,044	32,265,044
Heritage Pacific Corp.	19,021,618	–	372,973	–	–	–	19,394,591	19,394,591
Metro Alliance Holdings and Equity Corp.	18,288,144	–	358,591	(18,646,735)	–	–	–	–
Noble Arch Realty and Construction	3,517,176	100,893	361,128	–	–	–	3,979,197	3,979,197
Bataan Polytethylene Corp.	179,709	–	3,523	–	–	–	183,232	183,232
The Wellex Group, Inc.	2,659,697	25,278,926	–	(5,273,263)	–	–	22,665,360	22,665,360
International Polymer Corp.	1,188,374	–	1,928	–	–	–	1,190,302	1,190,302
	359,120,508	**25,379,819**	**6,994,594**	**(23,919,998)**	**–**	**–**	**367,574,923**	**367,574,923**

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

Name and designation of debtor	Balance at beginning of period	Cash advance during the year	Amounts written-off	Current	Non-Current	Balance at end of period
Mariano Arroyo Development Corporation	₱ 20,449	₱ 68,214	₱ –	₱ –	₱ 88,663	₱ 88,663

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance

Not Applicable

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” un the related statement of financial position
Loan payable	Not Applicable	₱ 43,432,981	₱ 34,902,442

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2016

Name of related party	Balance at beginning of period	Balance at end of period
Affiliates		
Waterfront Cebu City Hotel	₱ 92,054,457	₱ 92,054,457
Pacific Rehouse Corp.	27,704,743	27,704,628
Concept Moulding Corp.	3,830,646	3,830,646
Manila Pavilion	166,530	166,530
	₱ 123,756,376	**₱ 123,756,261**

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

Not Applicable

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reversed for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	5,000,000,000	1,445,549,830	–	675,881,890	3,058,100	766,609,840

PHILIPPINE ESTATES CORPORATION AND CONSOLIDATED SUBSIDIARY
SCHEDULE I – List of Top 20 Stockholders of Record
DECEMBER 31, 2016

Name of Stockholders	Citizenship	Tax Identification No.	Amount Subscribed	Percentage to total Outstanding
PCD Nomine Corporation	Filipino	004-774-849-000	₱695,405,360	48.10
Rexlon Realty Group, Inc.	Filipino	000-810-908-000	200,000,000	13.83
Ropeman International Corp.	Filipino	000-232-434-000	178,270,000	12.33
Recovery Real Estate Corp.	Filipino	000-599-326-000	150,000,000	10.37
The Wellex Group, Inc.	Filipino	004-740-001-000	143,892,990	9.95
PCD Nominee Corporation	Non-Filipino	117-922-145-000	63,763,000	4.41
Recovery Development Corp.	Filipino	000-810-182-000	3,000,900	0.20
Vicente C. Co	Filipino		1,575,000	0.10
Richard Ricardo	Filipino	140-857-860-000	1,230,000	0.08
Renato B. Magadia	Filipino	000-942-390-000	1,000,000	0.06
Anthony Samuel Lee	Filipino		900,000	0.06
International Polymer Corp.	Filipino	000-232-426-000	718,000	0.05
Juliet Bangayan	Filipino		545,000	0.03
Rodolfo S. Estrellado	Filipino		500,000	0.03
Elvira A. Ting	Filipino	117-922-153-000	500,000	0.03
Benison L. Co	Filipino		364,000	0.02
Kenneth T. Gatchalian	Filipino	167-406-526-000	320,000	0.02
Carolina G. Aquino	Filipino	135-899-752-000	250,000	0.01
Betty S. Chan	Filipino		250,000	0.01
Neptali A. Gonzales	Filipino		250,000	0.01
			₱1,442,734,250	

UNDERTAKING

A copy of SEC Form 17-A will be provided free of charge upon written request to the Following:

CORPORATE SECRETARY
Philippine Estates Corporation
Units 3503 and 3504
Julia Vargas Ave. corner Meralco Ave.
Ortigas Center, Pasig City
Metro Manila

PART III

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 C of Pasig on _____________, 2017.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

TIN: 224 150060

SUBSCRIBED AND SWORN to before me this day AUG 1 4 2017 at Q.C.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/24/2016 QUEZON CITY
ROLL NO. 13298
ADM. MATTER NO. NP-046 (2017-2018)
O.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
MCLE NO. II-0020276- OCT. 29,2011

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CERTIFICATION

I, ATTY. MARIEL L. FRANCISCO, being the duly elected Assistant Corporate Secretary of Philippine Estates Corporation (herein after the "Corporation"), a corporation duly Organized and existing under and by virtue of Philippine law, with principal address at the 35th Floor, One Corporate Center, Doña Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City, Metro Manila, Philippines, do hereby certify that none of the names Officers and Directors of the Corporation are currently holding positions in government and are therefore qualified to be elected, hold and maintain the same position consistent with the mandate of the Securities and Regulations Code and other pertinent SEC Memorandum Circulars.

IN ATTESTATION OF THE ABOVE, this Certification is signed on this 30th day of August 2017, at Pasig City, Metro Manila.

ATTY. MARIEL L. FRANCISCO
Assistant Corporate Secretary

QUEZON CITY

AUG 1 4 2017

SUBSCRIBED AND SWORN to before me, this 30th day of August 2016, at Pasig City, Metro Manila, affiant having exhibited to me her government identification (TIN 107-274-820) with her photograph appearing thereon.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR. NO. 3806846 – 1/16/2017 QUEZON CITY
IBP NO. 1038379 – 11/24/2016 QUEZON CITY
ROLL NO. 13296
ADM. MATTER NO. NP-046 (2017-2018)
O.34 ASSET'S ST. GSIS VILL., PROJ.8,Q.C.
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