

SEC Reg. No. 834



ROXAS AND COMPANY, INC.
(formerly CADP Group Corporation)
7/F CG Building, 101 Aguirre St.
Legaspi Village, Makati City 1229

810-8901
Telephone Number

31 December 2016
Calendar Year

Notice of Annual Meeting of Stockholders

- and -

SEC FORM 20 - IS
Information Statement
Pursuant to Rule 20 of the
Securities Regulation Code

ROXAS AND COMPANY, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Notice is hereby given that the Annual Meeting of Stockholders of ROXAS AND COMPANY, INC. (formerly CADP Group Corporation) will be held at Dusit Thani Manila, on 16 June 2017 at 10:00 in the morning.

The agenda of the Meeting is:

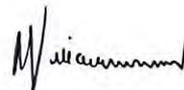
1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on 09 March 2016
3. Presentation of the Annual Report to Stockholders
4. Ratification of all Acts and Proceedings of the Board of Directors and Management
5. Election of the Board Directors
6. Election of External Auditors
7. Extension of Corporate Term and Amendment to the Articles of Incorporation
8. Other Matters
9. Adjournment

Only stockholders of record at the close of business on 18 May 2017 are entitled to notice of, and to vote at, the Annual Meeting of Stockholders. Registration for the meeting shall start at 9:30 in the morning.

IF YOU CANNOT ATTEND THE MEETING, PLEASE EXECUTE AND RETURN THE ATTACHED PROXY FORM TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY C/O 7F CACHO-GONZALES BUILDING, 101 AGUIRRE STREET, LEGASPI VILLAGE, 1229 MAKATI CITY **ON OR BEFORE close of business on 29 May 2017.**

By Order of the Board of Directors.

19 May 2017, Makati City.



MONICA ISABELLE I. VILLANUEVA
Assistant Corporate Secretary

Number of Shares Represented

P R O X Y

KNOW ALL MEN BY THESE PRESENTS:

That I, the undersigned, a stockholder of Roxas and Company, Inc. (formerly CADP Group Corporation and referred to as the "Company"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, do hereby name, constitute and appoint **MR. PEDRO E. ROXAS**, or in his absence, the Chairman of the Meeting, as my continuing proxy, with right of substitution and revocation, to represent me and vote all shares registered in my name in the books of the Company or owned by me, at the Annual Meeting of Stockholders to be held on 16 June 2017 and any adjournment/s thereof, upon the following:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Annual Stockholders' Meeting held on 09 March 2016
3. Presentation of the Annual Report to Stockholders
4. Ratification of all Acts and Proceedings of the Board of Directors and Management
5. Election of the Board Directors
6. Election of External Auditors
7. Extension of Corporate Term and Amendment to the Articles of Incorporation
8. Other Matters
9. Adjournment

as fully to all intents and purposes as I might do if present and acting in person, with this proxy being suspended in every instance where I personally attend and formally register my presence at the meeting. This proxy revokes any and all proxies which I may have previously executed in favor of a person or persons other than that named above. This proxy shall remain in full force and effect until specifically revoked by me through notice in writing lodged with the Corporate Secretary of the Company before the scheduled time of the meeting.

IN WITNESS WHEREOF, I have hereto set my hand this ____ day of _____ 2017 in _____.

Signature Over Printed Name

Address of Stockholder

(N.B. If this Proxy is issued by a corporation, it shall be in the form of a board resolution certified by the Corporate Secretary or, in lieu thereof, please attach the Secretary's Certificate quoting the board resolution authorizing the corporate officer to execute this Proxy.)

**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 : **ROXAS AND COMPANY, INC.
(formerly CADP GROUP CORPORATION)**
3. Province, country or other jurisdiction of incorporation or organization : Philippines
4. SEC Identification Number : 834
5. BIR Tax Identification Code : 000-269-435
6. Address of Principal Office : 7/F CG Building, 101 Aguirre St.
Legaspi Village, Makati City 1229
7. Registrant's telephone number including area code: (632) 810-8901
8. Date, time and place of meeting of security holders: 16 June 2017 at 10:00 a.m.
Dusit Thani Manila
Makati City 1200
9. Approximate date on which the Information Statement is first to be sent or given to security holders : 25 May 2017

10. Securities registered pursuant to Sections 8 and 12 of the Code as of 31 December 2016:

| Title of Each Class | Number of Shares of Stock Outstanding And Amount of Debt Outstanding |
|---------------------|---|
| Common | 1,973,867,387 |
| Debt | PhP3,336,616,270.00 |

11. Are any or all of the Registrant's securities listed on a Stock Exchange?

Yes No

If so, disclose name of the Exchange : Philippine Stock Exchange

ROXAS AND COMPANY, INC.
(formerly CADP GROUP CORPORATION)

INFORMATION STATEMENT
GENERAL INFORMATION

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

| | | |
|--|---|---|
| Date | : | 16 June 2017 |
| Time | : | 10:00 a.m. |
| Place | : | Dusit Thani Manila Makati City 1200 |
| Address of Principal Office of the Registrant | : | 7/F CG Building, 101 Aguirre St. Legaspi Village, Makati City 1229, M.M. |
| Approximate date on which the Information Statement is first to be sent or given to security holders | : | 25 May 2017 |

DISSENTER'S RIGHT OF APPRAISAL

A dissenting stockholder shall have the right of appraisal in the instances authorized under Section 81 of the Corporation Code, to be exercised in accordance with the procedure set out in Section 82 of the same Code. There is one item in the agenda of the meeting which would give rise to the exercise of the right of appraisal, particularly, the extension of the corporate term of the Company.

INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

The incumbent directors or officers of the Company, since the beginning of the last fiscal year, do not have substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

None of the incumbent directors informed the Company in writing that he intends to oppose any action to be taken during the annual meeting of shareholders.

CONTROL AND COMPENSATION INFORMATION

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- a) The number of shares outstanding and entitled to vote in the stockholders' meeting is 1,973,867,387 common shares.
- b) The record date for the purpose of determining the stockholders entitled to vote is 18 May 2017.

- c) Holders of common shares are entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides that every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name in the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

For all other matters to be acted upon, each share is entitled to one (1) vote.

- d) Security ownership of certain record and beneficial owners and management.

(1) Security ownership of certain record and beneficial owners of more than 5% of the Company's securities, both listed and not listed, as of 30 April 2017:

| <i>Title of Class</i> | <i>Name and Address of Owner/Relationship with Issuer</i> | <i>Name of Beneficial Ownership and Relationship with Record Owner</i> | <i>Citizenship</i> | <i>Number and Nature of Ownership</i> | <i>Percent of Class¹</i> |
|-----------------------|---|--|----------------------------------|---------------------------------------|-------------------------------------|
| Common | PCD Nominee Corporation (Filipino) | | Philippine National | 1,139,983,460 | 39.15% |
| Common | SPCI Holdings, Inc. Unit 1701, The Peak Tower 107 Leviste St., Salcedo Village, Makati City | SPCI Holdings, Inc. ² | Philippine National | 642,779,593 (direct) | 22.07% |
| Common | Pedro E. Roxas 7/F CG Bldg., 101 Aguirre St., Legaspi Village, Makati City Executive Chairman | Pedro E. Roxas/ Pesan Holdings, Inc. | Filipino/ Philippine National | 327,858,893 (direct & indirect) | 11.31% |
| Common | PCD Nominee Corporation | PCD Nominee Corporation | Non-Filipino | 258,225,485 | 8.87% |
| TOTAL | | | | 2,368,847,431 | 81.76% |

¹ The percentage of shareholdings was arrived at by dividing the number of shares owned, directly and indirectly, by the shareholders over 1,973,798,203 common shares, which is the total outstanding shares as of 31 December 2016.

² Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, directors of the Company, each own 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). Collectively, the Board of Directors of SPCI consisting of its 6 shareholders has the power to decide on how the shareholdings of SPCI in the Company shall be voted.

Except as stated above and in the related footnotes, the Board of Directors and the Management of the Company have no knowledge of any person who, as of 31 December 2016, was directly or indirectly the beneficial owner of, or who has voting power or investment power with respect to, shares comprising more than five percent (5%) of the Company's outstanding common stock.

(2) Security Ownership of Management as of 30 April 2017.

The following table sets forth the number of shares, listed and not listed, owned of record and/or beneficially owned by the directors, independent directors, the Chief Executive Officer and the key officers of the Company, and the percentage of shareholdings of each as of 30 April 2017:

| <i>Title of Class</i> | <i>Name of Beneficial Owner</i> | <i>Citizenship</i> | <i>Number and Nature Of Ownership</i> | <i>Percent of Class</i> |
|-----------------------|---|--------------------|--|---------------------------|
| <i>Common</i> | <i>Pedro E. Roxas Executive Chairman</i> | <i>Filipino</i> | <i>327,858,893 (direct & indirect)</i> | <i>11.31%</i> |
| <i>Common</i> | <i>Antonio J. Roxas Special Board Advisor</i> | <i>Filipino</i> | <i>50,064,495 (direct)</i> | <i>2.54%</i> |
| <i>Common</i> | <i>Carlos Antonio R. Elizalde³ Director</i> | <i>Filipino</i> | <i>1,243,433 (direct) 755,279,593 (indirect)</i> | <i>0.06% (direct)</i> |
| <i>Common</i> | <i>Francisco Jose R. Elizalde⁴ Director</i> | <i>Filipino</i> | <i>1,245,036 (direct) 755,279,593 (indirect)</i> | <i>0.06% (direct)</i> |
| <i>Common</i> | <i>Corazon S. Dela Paz- Bernardo Independent Director</i> | <i>Filipino</i> | <i>55,078 (direct)</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Guillermo D. Luchangco Independent Director</i> | <i>Filipino</i> | <i>33,593 (direct)</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Fernando L. Gaspar President/CEO</i> | <i>Filipino</i> | <i>42,253 (direct)</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Aurelio Montinola III Independent Director</i> | <i>Filipino</i> | <i>1,000 (direct)</i> | <i>0.00%</i> |

³ Messrs. Carlos R. Elizalde and Francisco Jose R. Elizalde each owns 24.99% of the total outstanding shares of SPCI Holdings, Inc. (SPCI). SPCI, in turn, owns 642,779,593 or 22.07% of the Company's shares.

⁴ See footnote no. 3.

| | | | | |
|---------------|--|-----------------|--------------------|--------------------|
| <i>Common</i> | <i>Armando B. Escobar Vice-President / Chief Finance and Risk Management Officer/Treasurer</i> | <i>Filipino</i> | <i>0</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Peter D. A. Barot Corporate Secretary</i> | <i>Filipino</i> | <i>0</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Alezandro S. Casabar Asst. Corp. Secretary⁵</i> | <i>Filipino</i> | <i>0</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Monica Isabelle I. Villanueva⁶ Assistant Corporate Secretary</i> | <i>Filipino</i> | <i>0</i> | <i>0.00%</i> |
| <i>Common</i> | <i>Directors and Officers As a Group</i> | | <i>396,981,684</i> | <i>20.11 %</i> |

(3) Voting Trust Holders of 5% or More.

The Company is not aware of any voting trust or similar arrangement among persons holding more than 5% of the shares.

e) Change in Control

There has been no change in control since the beginning of the last fiscal year until 31 December 2016. The Company is also not aware of the existence of any change in control agreements.

DIRECTORS AND EXECUTIVE OFFICERS

a) Nominees for election to the Board

The following have been nominated for election to the Board of Directors:

Pedro E. Roxas
Carlos R. Elizalde
Francisco Jose R. Elizalde
Fernando L. Gaspar

⁵ Atty. Casabar resigned as Assistant Corporate Secretary on 15 September 2016.

⁶ Atty. Villanueva replaced Atty. Casabar as Assistant Corporate Secretary on 27 October 2016.

Corazon S. De la Paz-Bernardo (Independent Director)
Guillermo D. Luchangco (Independent Director)
Aurelio Montinola III (Independent Director)

All the nominees are incumbent members of the Board of Directors of the Company.

Of the nominees, Ms. Corazon S. De la Paz-Bernardo, Mr. Guillermo D. Luchangco, and Mr. Aurelio Montinola III are eligible for election as independent directors of the Company in accordance with Rule 38.1 of the Implementing Rules and Regulations of the revised Securities Regulation Code. In general, they are not officers or employees of the Company or any of its subsidiaries, and are free from any business or relationships with the Company or any of its subsidiaries which could, or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. Each of them has submitted a Certificate of Qualification as an Independent Director to the Securities and Exchange Commission.

Ms. Ellen Comia, a longtime shareholder of the Company, nominated Mr. Luchangco as independent director. On the other hand, Mr. Pedro Roxas nominated Ms. Corazon S. De la Paz-Bernardo and Mr. Aurelio Montinola III. To the knowledge of the Company, Ms. Ellen Comia and Mr. Pedro Roxas are not related to their nominees.

b) The following is the procedure for nomination and election of directors:

Article II of the Amended By-Laws of the Company provides:

“Section 2. Qualifications and Disqualifications of Directors. – Any stockholder having at least one thousand (1,000) shares registered in his or her name may be nominated and/or elected as a Director of the Corporation; Provided that any stockholder who possesses any of the disqualifications enumerated in the Manual on Corporate Governance which was approved and adopted by the Board of Directors of the Corporation on 26 September 2002, including any amendments thereto, shall be disqualified from being elected as a Director of the Corporation.

Section 3. Nominations for Directors. – In addition to the right of the Board of Directors of the Corporation to make nominations for the election of Directors, nominations for the election of Directors may be made by any shareholder entitled to vote for the election of Directors if that shareholder complies with all the provisions of this article.

3.1 Nominations shall be received by the Chairman of the Board (which nominations may be sent to such Chairman in care of the Secretary of the Corporation), at least 15 working days prior to any meeting of the shareholders called for the election of Directors.

3.2 Each nomination under Section 3.1, shall set forth (i) the name, age, business address and, if known, residence address of each nominee, (ii) the principal occupation or employment of each nominee, (iii) the number of shares of stock of the corporation which are beneficially owned by such nominee, and (iv) the interests and positions held by each nominee in other corporations. In addition, the shareholder making such nomination shall promptly provide any other information reasonably requested by the corporation.

3.3 The Board, by a majority vote unless a greater majority is required under these By-Laws, may, in its discretion, determine and declare that a nomination was not made in accordance with the foregoing procedures, and/or that a nominee is disqualified for election as Director under these By-Laws and if the Board should so determine, the defective nomination and the nomination of a disqualified person shall be disregarded.”

On the other hand, the Revised Manual on Corporate Governance of the Company provides:

“3.7. Board Committees

The Board shall maintain the following committees to assist it in good corporate governance:

x x x

3.7.2. Nomination, Election and Governance Committee.

The Nomination, Election and Governance Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

- 3.7.2.1. It shall review and evaluate the qualifications of, and shortlist, all persons nominated to the Board and other appointments that require Board approval.
- 3.7.2.2. It shall assess the effectiveness of the Board’s processes and procedures in the election or replacement of directors.
- 3.7.2.3. It shall consider the following guidelines in the determination of the capability of a director to serve as such:
 - i. The nature of the business of the corporation of which he is a director;
 - ii. Age of the director;
 - iii. Number of directorships/active memberships and offices in other corporations or organizations; and
 - iv. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

The CEO and other executive directors shall submit themselves to a low indicative limit on membership in other corporate boards. The same low limit shall apply to independent, non-executive directors who serve as full-time executives in other corporations. In any case, the capacity of directors to serve diligently shall not be compromised.

xxx

3.7.2.9 The findings and recommendations of the Nomination Committee shall be submitted to the Board for approval; Provided that a director whose qualifications are in issue shall not have the right to vote when the Board considers his case.

The seven (7) nominees for election to the Board of Directors of the Company have been screened and evaluated by the Nomination, Election and Governance Committee and were determined to possess all the qualifications and none of the disqualifications of a director of the Company in accordance with applicable laws, rules, regulations, the Company's By-Laws and Revised Manual on Corporate Governance.

c) Board of Directors and Corporate Officers

Pedro E. Roxas is 61 years old and is a Filipino. Mr. Roxas is the Chairman of the Nomination, Election and Governance Committee and is a member of the Compensation Committee. He has been a Director of the Company since 18 October 1995. He is currently the Executive Chairman of the Board and held the position of President and Chief Executive Officer of the Company until 16 December 2016. He is the Chairman of Roxas Holdings, Inc. and other subsidiaries of RHI, Hawaiian-Philippine Company, Club Punta Fuego and Roxaco Land Corporation. He is a Director of Brightnote Assets Corporation, PLDT, Meralco and BDO Private Bank. Mr. Roxas is the President of Philippine Sugar Millers Association, Inc., Fundacion Santiago and Roxas Foundation and he is a Trustee of the Philippine Business for Social Progress. Mr. Roxas was educated at Portsmouth Abbey School, USA and at the University of Notre Dame, USA where he obtained his degree in Business Administration. Mr. Roxas is married to Regina Tambunting and they have three (3) children.

Fernando L. Gaspar, Filipino, is the newly elected President and Chief Executive Officer. He previously served as the Senior Vice President and Chief Administration Officer of International Container Terminal Systems, Inc. (ICTSI). Mr. Gaspar was also the Philippine Country Manager for the KUOK Group and the former President of Shangri-la Hotels Philippines. He was educated at the De La Salle University, where he took his undergraduate course in Chemical Engineering. He also took post-graduate courses at the INSEAD Asian Studies Centre, Fontainebleu, France, the Stanford University Graduate School of Business and the Columbia University Graduate School of Business.⁷

Corazon S. de la Paz-Bernardo is Honorary President of the International Social Security Association (ISSA), an affiliate of the International Labor Organization and based in Geneva, Switzerland. She had served as President of the ISSA from 2004 to 2010, the first woman and first non-European to be elected as such, since its founding in 1927, and as the first woman President of the Social Security System of the Philippines from 2001 to 2008. She is also the first woman, anywhere in the world, to be elected in 1973 partner of Price Waterhouse International in its over 100-year history. She was Chairman and Senior Partner of Joaquin Cunanan & Co. (PricewaterhouseCoopers, Philippines) for twenty years from 1981 to 2001 and was in the World Board of Price Waterhouse World Firm from 1992 to 1995. Mrs. de la Paz-Bernardo was

⁷ Mr. Gaspar was elected by the Board of Directors of the Company as its new President and Chief Executive Officer on 16 December 2016.

Chairperson of Equitable PCI Bank from 2006 until its merger with Banco de Oro in 2007. She had served as a member of the board of several listed Philippine corporations such as San Miguel Corp., PLDT, Ayala Land and Philex Mining. She was Chairman of NAMFREL, (the National Citizen's Movement for Free Elections) for the 2013 elections and is Vice-Chairperson of Jaime V. Ongpin Foundation. She is also a life member of the Cornell University Council, a member of the Boards of Trustees of the University of the East, the UE Ramon Magsaysay Memorial Medical Center, Miriam College, the Makati Business Club, MFI Foundation, Makati Medical Center and other non-governmental organizations. She is a member of the Board of Directors of Phinma Energy Inc., Republic Glass Holdings, Inc. and Roxas and Company, Inc. She is an advisor to the board and audit committee of BDO Unibank, Inc. and advisor to the board audit committee of PLDT. Mrs. de la Paz-Bernardo, a Certified Public Accountant, graduated from the University of the East with a Bachelor of Business Administration degree in 1960, Magna Cum Laude, and obtained first place in the same year's CPA board examination. She obtained her MBA in 1965 from Cornell University in New York as a Fulbright grantee and UE scholar.

Carlos R. Elizalde is 48 years old and is a Filipino. He has been a member of the Board of Directors since 20 November 2002. Mr. Elizalde is the President of ELRO Commercial and Industrial Corp. and ELRO Land Corp., Vice-President of ELRO Trading Corp. and Bais Multifarms, Inc. He is director of SPCI Holdings, Inc., Central Azucarera de la Carlota, Inc., Association Agricola de Bais y Tanjay and BATAMA Marketing Cooperative. Mr. Elizalde was educated at the College of Vermont in Burlington Vermont, USA with a degree in Bachelor of Science in Agricultural Economics.

Francisco Jose R. Elizalde is 50 years old and is a Filipino. He was elected as member of the Board of Directors on 25 June 2009. Mr. Elizalde is the Managing Director of ELRO Corporation and Vice President of its Consumer Goods Business Unit. He is a Director in SPCI Holdings, Inc., ELRO Trading Corporation, ELRO Land, Inc., Bais Multi Farms, Inc., Twenty Four Hours Vendo Machine Corporation, Roxaco Land Corporation, Club Punta Fuego, Inc., and Mutual Fund Management Company of the Philippines, Inc. Mr. Elizalde was educated at Portsmouth Abbey School, USA and at the University of Vermont, USA where he obtained a degree in Bachelor of Science.

Guillermo D. Luchangco is 76 years old and is a Filipino. Mr. Luchangco is the Chairman of the Compensation Committee of RCI. He is the Chairman and Chief Executive Officer of the ICCP Group of Companies which includes: Investment & Capital Corporation of the Philippines, Pueblo de Oro Development Corporation, Regatta Properties, Inc., ICCP Venture Partners, Inc., Cebu Light Industrial Park, Inc., RFM-Science Park of the Philippines, Inc., and ICCP Land Management, Inc.; Chairman and President of Beacon Property Ventures, Inc.; Chairman of Manila Exposition Complex, Inc. He is a Director of Globe Telecom, Inc., Phinma Corp., Phinma Property Holdings Corp., Ionics, Inc., Ionics EMS, Inc., Ionics EMS, Ltd., Ionics Properties, Inc., Remec Broadband Wireless, Inc. and Science Park of the Philippines, Inc. Mr. Luchangco is an independent director of the Company and he possesses all the qualifications and none of the disqualifications of an independent director since he was first nominated and elected to the Board of Directors on 18 November 2009.

Aurelio Montinola III⁸ is Chairman of Far Eastern University (FEU) and Vice Chairman of the Philippine Business for Education (PBED) Foundation. He served as the President and CEO of Bank of

⁸ Mr. Montinola was appointed as Independent Director on 16 December 2016, to fill-in the vacancy created by the election of Mr. Fernando L. Gaspar as President and Chief Executive Officer.

the Philippine Islands from 2005 - 2013, and exited with BPI as the only Philippine bank rated Investment Grade by Fitch Ratings. He was twice awarded (2005 and 2009) the Asian Banker Leadership Achievement Award for the Philippines, and served as President of the Bankers Association of the Philippines from 2008 - 2012. Among others, he remains Director of BPI and Chairman of BPI Philam Life Assurance Corporation (BPI Philam). Other affiliations include: Chairman, WWF Philippines; Trustee, Makati Business Club; and Member, Management Association of the Philippines where he received the MAP Management Man of the Year Award in 2012. He graduated BS Management Engineering at the Ateneo de Manila in 1973, and MBA at the Harvard Business School in 1977.

The directors hold office for a term of one (1) year until their successors are elected and qualified.

Corporate Officers

Armando B. Escobar is 57 years old and is a Filipino. He is the Executive Vice President - Chief Finance Officer, Treasurer & Risk Management Officer of the company. He was formerly the Group President and Chief Operating Officer of Moldex Group of Companies and Vitarich Corporation. He was formerly Senior Vice President and Chief Operating & Special Accounts Management Group Head of Philippine Bank of Communications, Director of Bancnet, Inc. Mr. Escobar obtained his Bachelor of Science in Business Management in Ateneo de Manila University, MBA units in University of the Philippines, Executive Business Program in Harvard Business School and Post-Graduate course in Strategic Business Economics Program in University of Asia and Pacific.

Peter D. A. Barot is 55 years old and is a Filipino. He is the Corporate Secretary of the Company. He obtained his Bachelor of Arts (Economics) and Bachelor of Laws from the University of the Philippines, and his Master of Laws from the University of Chicago. He is a Partner at the Picazo Buyco Tan Fider & Santos Law Offices.

Monica Isabelle I. Villanueva⁹, Filipino, is the newly appointed Assistant Corporate Secretary and Compliance Officer of the Company. She is also the Corporate Secretary of Roxaco Land Corporation. Prior to joining the Company, she worked as an Associate Lawyer in Ocampo and Manalo Law Firm and served as Director and Corporate Secretary for several domestic corporations, including PRIME Media Holdings, Inc. She obtained her Bachelor's Degree in Legal Management with a Minor in International Business from Ateneo de Manila University and thereafter obtained her Juris Doctor from the same university. She became a member of the Philippine Bar in April 2009.

d) Significant Employees

While the Company is not highly dependent on the services of an employee who is not an Executive Officer, the Company values its human resources and expects them to do their share in achieving its objectives.

e) Family Relationships

⁹ Atty. Monica Isabelle I. Villanueva was appointed as Asst. Corp. Sec. and Compliance Officer of the Company on 27 October 2016.

Messrs. Pedro E. Roxas, Antonio J. Roxas, Carlos R. Elizalde, and Francisco Jose R. Elizalde are related to each other within the fourth degree of consanguinity.

Messrs. Francisco Jose R. Elizalde and Carlos R. Elizalde, who are brothers, are nephews of Mr. Antonio J. Roxas.

f) Legal Proceedings

The Company is not aware, and none of the directors/independent directors, officers and persons nominated for election as director/independent director has informed the Company, of their involvement in any material pending legal proceedings in any court or administrative government agency, or of any of the following events:

- (a) any bankruptcy petition filed by or against any business of which a director/independent director, officer or person nominated for election as director/independent director was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;
- (b) any conviction by final judgment in a criminal proceeding, domestic or foreign;
- (c) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director, officer or persons nominated for election as director/independent director in any type of business, securities, commodities or banking activities; and
- (d) any final finding by a domestic or foreign court, the Securities and Exchange Commission or comparable foreign body, or any quasi-judicial or regulatory body, that any director / independent director, officer or any person nominated for election as director / independent director, has violated a securities or commodities law or regulation.

g) Certain Relationships and Related Transactions

As part of the corporate reorganization of the Roxas Group, the Company's stockholders approved the following in 2008: (i) the sale to Roxas Holdings, Inc. (RHI) of sugar-related assets, liabilities and all interests of CADPGC in sugar-related operating subsidiaries and associate; and (ii) the merger of RCI and CADPGC.

Messrs. Antonio J. Roxas, Pedro E. Roxas, and Francisco Jose R. Elizalde, who are incumbent directors of the Company, were also directors of the absorbed company, RCI. They, together with director Carlos R. Elizalde, are members of the Roxas family which owns RCI prior to its merger with CADPGC.

Messrs. Pedro E. Roxas is also a director of RHI. As of 31 December 2016, the Company owns 25% of the total issued and outstanding capital of RHI.

Other than the foregoing, there is no transaction or proposed transaction during the last two (2) fiscal years to which the Company was or is to be a party in relation to any director, any nominee for

election as director, any security holder of certain record or beneficial owner or management or any member of the immediate families of the directors.

h) Parent Company

As of 31 December 2016, the Company directly owns 100% of the issued and outstanding shares of Roxaco Land Corporation (RLC), Nasugbu Feeds Corporation, United Ventures Corporation and Roxas Green Energy Corporation, 81% of the issued and outstanding shares of Roxas Sigma Agriventures, Inc. and 25% of the total issued and outstanding shares of Roxas Holdings. Inc. (RHI).

RLC owns 100% of the total and outstanding shares of Anya Hotels and Resorts Corporation (AHRC) [formerly Roxaco Commercial Properties Corporation] and SAMG Memorial Management and Services, Inc. It has interests in Fuego Development Corporation (30%), Fuego Land Corporation (30%), Roxaco-ACM Development Corporation (50%), Club Punta Fuego, Inc. (25%), Anya Hospitality Corporation (AHC) [formerly Fuego Hotels Property and Management Corporation] (75.33%), Roxaco-Vanguard Hotel Corporation (51%) and Brightnote Assets Corporation (10%).

RHI, a publicly-listed company, owns 100% of the issued and outstanding shares of Central Azucarera Don Pedro, Inc. (CADPI), Central Azucarera de la Carlota, Inc. (CACI), Roxol Bioenergy Corporation. It also has interests in Hawaiian-Philippine Company (45.09%), Najalin Agri-Ventures, Inc. (86.91%), San Carlos Bioenergy, Inc. (93.35%) and Roxas Power Corporation (50%).

i) Disagreement with the Company

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last meeting of shareholders because of a disagreement with the Company on any matter relating to its operations, policies and practices.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

- a) Section 7 of Art. 3 of the Amended By-Laws of the Company provides that the members of the Board of Directors and the Executive Committee shall be given a per diem for every meeting attended in such amount as may be determined by the Board of Directors but in no case shall said remuneration exceed two (2%) of the net income of the Company before tax. Presently, the members of the Board of Directors receive ₱50,000 for every meeting attended, broken down in cash in the amount of Php25,000.00 and shares in such numbers equivalent to the Php25,000 balance. A director of the Company who attends all meetings receives a total of roughly ₱200,000.00 annually. Each of the members of the three committees--(i) Audit and Risk; (ii) Nomination, Election and Governance; and (iii) Compensation--also receive a per diem of ₱20,000.00 per meeting. No warrants and options have been granted to the directors and officers within the past three (3) years.

b) Compensation of Executive Officers

| Name and Principal Position | | Year | Salary | Bonus | Other Annual Compensation* |
|-----------------------------|--|------------|-------------|------------|----------------------------|
| | | FY 2014-15 | | | |
| A | Pedro E. Roxas – Executive Chairman, President and CEO | | ₱ - | ₱ - | ₱250,000 |
| B | Armando B. Escobar – VP, CFO and Risk Management Officer, Treasurer | | | | |
| C | Alezandro S. Casabar – Legal Manager / Compliance Officer | | | | |
| D | CEO and Top Four Executives | | 780,000 | 6,016,146 | |
| E | All officers & directors as group unnamed | | ₱780,000 | ₱6,016,146 | ₱1,750,000 |
| | | FY 2015-16 | | | |
| A | Pedro E. Roxas – Executive Chairman, President and CEO | | ₱ - | ₱ - | ₱150,000 |
| B | Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer | | | | |
| C | Alezandro S. Casabar – Legal Manager / Compliance Officer | | | | |
| D | CEO and Top Four Executives | | ₱16,015,694 | ₱548,392 | |
| E | All officers & directors as group unnamed | | ₱16,015,694 | ₱548,392 | ₱800,000 |
| | | Oct-Dec 16 | | | |
| A | Pedro E. Roxas – Executive Chairman | | ₱ - | ₱ - | ₱50,000 |
| B | Fernando L. Gaspar - President and CEO | | | | 50,000 |
| C | Armando B. Escobar – EVP, CFO and Risk Management Officer, Treasurer | | | | |
| D | Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer | | | | |
| E | CEO and Top Four Executives | | ₱6,527,217 | ₱1,295,993 | 100,000 |
| F | All officers & directors as group unnamed | | ₱6,527,217 | ₱1,295,993 | ₱300,000 |

*Director's fees.

There are no employment contracts executed by the Company with the above-named executive officers. Neither is there any other arrangement or compensatory plan between the Company and the above-named executive officers.

c) Estimated Compensation and Bonus for CY 2016-2017

The estimated compensation and bonus of the directors and present officers of the Company for the calendar year 2017 are as follows:

| | Salary | Bonus | Other Annual Compensation |
|--|-------------|------------|---------------------------|
| A Pedro E. Roxas – Executive Chairman | ₱ - | ₱ - | ₱ - |
| B Fernando L. Gaspar - President and CEO | - | - | - |
| C Armando B. Escobar – EVP, CFO and Risk Management | - | - | - |
| D Monica Isabelle I. Villanueva – Legal Manager / Compliance Officer | | | |
| E CEO and Top Four Executives | P27,000,000 | P2,500,000 | |
| F All officers & directors as group unnamed | P27,000,000 | P2,500,000 | P1,400,000 |

The Company's accounting period has changed from fiscal year to calendar year beginning 2017.

ELECTION OF EXTERNAL AUDITORS

SyCip Gorres Velayo and Co. is recommended for election as external auditor for the short period of 01 October 2016 to 31 December 2016 and for the calendar year 2017. Representatives of the firm are expected to be present at the annual meeting of stockholders on 16 June 2017 and they will have the opportunity to make a statement, if they so desire, and are expected to be available to respond to appropriate questions.

Kristopher S. Catalan, is the lead partner assigned to handle the account of the Company since 01 October 2016.

Under Rule 68(3)(b)(iv) of the IRR of the revised SRC and SEC Memorandum Circular No. 2, series of 2002, the external auditors of the Company should be rotated every five (5) years or earlier or the handling partner shall be changed.

External Audit Fees and Services

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor are as follows:

| | Dec. 31, 2016 (3 months) | Sept. 30, 2016 (1 year) |
|---|-------------------------------------|------------------------------------|
| 1. Audit of registrant's annual financial statements: | ₱380,000 | ₱1,150,000 |

| | | |
|--|------|------|
| 2. Aggregate fees billed for professional services for tax accounting, compliance and other tax services | none | none |
| 3. All other fees | none | none |

Policies and Procedures

The Company's Audit and Risk Committee (ARC) meets with the external auditors at the beginning of every calendar year to discuss the Company's audit plans and programs for the year. After the audit plans and programs are approved, the ARC then determines the reasonableness of the fees proposed by the external auditors for audit and other related services. The ARC also meets to approve the quarterly financial statements of the Company before they are presented to the Board for approval and thereafter submitted to the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) as part of the Company's compliance with the requirements of SEC Memorandum Circular No. 6, Series of 2009 and the Company's revised Manual on Corporate Governance. The ARC also meets with the external auditors to consider and approve the yearly audited financial statements of the Company before they are submitted for the consideration and approval of the Board of Directors and, thereafter, submitted to the Bureau of Internal Revenue, the SEC and the PSE as part of the Company's compliance with the requirements of the Revised Securities Regulation Code.

Additionally, the ARC is also tasked under its Charter to (a) review the internal audit plan to ensure conformity with the objectives of the Company; (b) organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal; (c) review the reports of the internal auditors; and (d) establish and identify the reporting line of the internal auditor to enable him to properly perform his duties and responsibilities.

There had been no disagreements with the external auditors on accounting or financial disclosures during the last five (5) fiscal years.

PART I – FINANCIAL AND OTHER INFORMATION

Financial Statements and Other Information

The Financial Statements and Other Financial Disclosures are contained in the Consolidated Financial Statements and Financial Schedules attached as **Annex "A"** hereof and Management's Discussion and Analysis or Plan of Operations are found in **Annex "B"**.

Description of the General Nature and Business of the Company

The Company, a holding and investment corporation, has interests in the sugar businesses of RHI, the real estate and hotel business of RLC, renewable energy business of RGEC and the coconut processing business of RSAI.

After completing most of its real property development projects, RLC, in 2012, began the development of the first townhomes project with shop houses in Nasugbu, Batangas – the Landing Townhomes.

RLC also expanded its Orchards project in 2013 with the launch of Phase II at Balayan Subdivision, also in Batangas.

RLC started the development of Anya Resort and Residences in Tagaytay in 2013 . It completed the development of the prime residential subdivision (Phase 1) in September 2014. It will be completing the development of its Hotel and Resort Suites (Phase 2) by 2017 and will continue developing Phase 3 with the construction of its branded residences.

In December 2013, RLC entered into a joint venture with VH Select Investments (Phil) Pte Ltd to develop its “Budget Hotel” business in the Philippines. The joint venture was designed for the partners to put up and operate initially five (5) “GO Hotels” in Metro Manila. RLC gained control of RVHC in 2016.

On May 14, 2015, the Company formed Roxas Green Energy Corporation (RGEC) to venture in solar power generation for selling the electric power to any power corporation and other entities.

On October 8, 2015, RLC entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC) to invest in Roxas Sigma Agriventures, Inc. (RSAI) for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export.

Business Units and Operations

The Company directly owns (a) 100% of Roxaco Land Corporation (RLC), the real estate company of the Roxas Group, (b) 100% of Roxas Green Energy Corporation (RGEC), (c) 81% of Roxas Sigma Agriventures, Inc. (RSAI) and (d) 25% of the total issued and outstanding shares of RHI, under which are its sugar milling, bio-ethanol manufacturing and sugar-based renewable energy producing operations.

The Company, through RLC, has investments in Fuego Development Corporation (FDC), Fuego Land Corporation (FLC), Club Punta Fuego, Inc. (CPFI), Anya Hospitality Corporation (AHC) [formerly Fuego Hotels Property and Management Corporation (FHPMC)], Roxaco-ACM Development Corporation (RADC), Anya Hotels and Resorts Corporation (AHRC) [formerly Roxaco Commercial Properties Corporation (RCPC)], AHR1 Hotels & Resort Corporation (AHR1), SAMG Memorial Management and Services, Inc. (SMMSI) and Roxaco-Vanguard Hotel Corporation (RVHC).

FDC was formed as a 70%-30% joint venture by Landco Pacific Corporation (LPC) and RLC specifically to carry out the business plan which provides, among others, for the development of the upgraded facilities of Peninsula de Punta Fuego.

FLC was formed as 60%-30%-10% joint venture by LPC, RLC and Alexcy Corporation. The joint venture corporation tied up with several land owners for the expansion of the Punta Fuego project known as Terrazas de Punta Fuego.

AHC is a management company with expertise in managing hotels, resorts and full and limited service companies. RLC has a 75% equity interest in AHC.

RADC was formed as 50%-50% joint venture between RLC and ACM Landholdings (ACM) for the development of a 5-hectare property into a housing project known as Woodstock-Nasugbu.

RLC also has a 65% interest in a joint operation with Marilo Corporation for the development of The Orchards at Balayan in Balayan, Batangas and a 42% interest in a joint operation with ACML and ACM Columbia for the development of Goodwood Homes Subdivision.

On December 2, 2009, RLC entered into a Joint Venture Agreement with VJ Properties, Inc. for the development of a 36,201 square-meter property in Tagaytay City into a boutique resort-type of residential subdivision known as Anya Resort and Residences (Tagaytay). RLC has a 65% share in the net proceeds from the sale of 14 pre-selected lots, a 65% and 60% share in the net proceeds from the sale of remaining 12 and 28 lots respectively in Phase 1. The other 33,507 square-meter, which consist of Phase 2 & 3 of Anya Resort and Residences (Tagaytay), is being developed solely by RLC.

In July 2012, RLC launched its townhomes project, known as Landing Townhomes, in Nasugbu, Batangas. Landing Townhomes is a project consisting of 114 units of saleable house and lots, 21 commercial units for sale of which 2 units are being used as RLC office.

AHRC was formed to be the asset holding company that owns the Anya Hotel Core of Phase 2 of Anya Resort and Residences project in Tagaytay. This will be managed and operated by AHR1 which was incorporated in July 2016.

On December 3, 2013, RLC entered into a 50%-50% Joint Venture Agreement with Singapore's VH Select Investments (Phil) Pte Ltd to build a minimum of five "Go Hotels" in Metro Manila and in selected provincial destinations within two or three years. In April 2016, the agreement was amended wherein each party's capital contribution share was changed thereby increasing RLC's equity interest from 50% to 51%.

On May 14, 2015, RGEC was incorporated and registered with the SEC to primarily engage in the development and construction of renewable energy resources, particularly solar power, in Nasugbu, Batangas. RGEC is in the process of developing a 30 megawatt (MW) solar power plant expected to be operational by 2017.

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the Securities and Exchange Commission (SEC), for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RSAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. The coconut processing facility is expected to be operational by 2017.

Principal Products and Services

RLC, on its own or in joint venture with other property developers and landowners, has several projects ranging from first-class residential resort communities to open-lot residential subdivisions within the provinces of Batangas and Cavite.

Its joint venture projects include:

- (i) Peninsula De Punta Fuego, an 88-hectare world-class residential beach resort located in Nasugbu, Batangas developed in partnership with Landco Pacific Corporation (Landco). The Punta Fuego community consists of Spanish-Mediterranean inspired villas, a Beach Club, a Marina, a nine-hole golf course and a Country Club;
- (ii) Terrazas De Punta Fuego, a 61-hectare prime seafront property, also located in Nasugbu, Batangas, and developed by Fuego Land Corporation (FLC), a 70%-30% joint venture company of Landco and RLC. This property is also home to Amara en Terrazas, a seaside condominium project;
- (iii) Club Punta Fuego, an exclusive resort developed by FDC. Facilities include The Country Club, Upper Beach Club, Lower Beach Club, a Nelson-Haworth designed nine-hole golf course, twelve white sand beaches, casitas, a Marina, The Spa, The Boardwalk, Game Hall and KTC, Café Sol, double infinity pools and the Sunset Beach Cove. An associate membership to Club Punta Fuego is attached to every lot in Peninsula and Terrazas de Punta Fuego;
- (iv) Woodstock Homes, a 5-hectare mass housing project located in Nasugbu, Batangas. This was developed by Roxaco-ACM Development Corporation, an incorporated joint venture company between RLC and ACM Landholdings, Inc. A total of 386 housing units and 100 open lots comprise the development, all of which have been sold out;
- (v) Goodwood Homes, a low-density residential development with only 150 duplex units in a 2-hectare area located in Imus, Cavite. The project was developed in joint venture with ACM Landholdings, Inc.;
- (vi) The Orchards at Balayan, a 9-hectare property located in Balayan, Batangas. This is an open-lot residential subdivision for Phase 1, a combination of an open-lot, house and lot residential subdivision for Phase 2 developed by RLC in joint venture with Marilo Corporation; and

On its own, RLC developed the following projects:

- (i) Landing Subdivision, a residential open lot subdivision located in Nasugbu, Batangas. It has a total area of 23 hectares. All phases have been completed and sold out;
- (ii) Landing Commercial Building, a commercial facility with a total land area of 13,000 square meters consisting of 20 stalls. It is located along J.P. Laurel Street, Nasugbu, Batangas;
- (iii) Palm Estates Subdivision, a 23.6-hectare open-lot residential project consisting of three phases. Located in Nasugbu, Batangas, it offers a wide spectrum of lots designed to cater to families from all economic walks of life;
- (iv) Palm Homes, a 10-unit house and lot project in Palm Estates;
- (v) San Antonio Memorial Gardens, the first master-planned memorial park in Western Batangas; and

(vi) Landing Townhomes, a 1.2-hectare property, is the first townhouse development in Nasugbu, Batangas. It consists of 114 two-storey residential units offered for sale, 21 commercial units for sale of which 2 units are being used as RLC office.

(vii) Anya Resort and Residences (Phases 1, 2 &3) which consist of open lots, boutique hotel and resort and branded residences.

RVHC offers 24/7 hotel services to all customers of its budget hotel brand “Go Hotels”. The first five hotels are located in Manila Airport Road, North EDSA, Cubao, Ermita and Timog -Quezon City.

RSAI will produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export.

RGEC, thru solar power generation, will sell electric power to any power corporation and distributor and other entities.

Distribution Methods of the Products or Services

RLC offers its various properties to potential buyers through its authorized sales agents and brokers.

RVHC uses online channels of marketing, catalogs, local travel agencies and direct selling to walk-in customers.

RSAI, as a bulk producer, will market its products by initially positioning itself as major supplier to big beverage manufacturers, ingredient suppliers and international brokers for its products. It will enter into toll manufacturing when the volumes have been developed and eventually expand and produce retail for sale directly sell to customers abroad through its authorized broker.

RGEC, via transmission lines and substations developed with National Grid Corporation of the Philippines (NGCP), will directly sell electric power to any power distribution corporation, end user or buyer

Competition

Most of RLC’s projects are located in the Municipality of Nasugbu, Batangas. It intends to develop the remaining land bank based on an integrated master plan, and also explore possible projects in other high-potential regions in the Philippines.

The giants of the local property market are Ayala Land, Robinsons Land, Megaworld, Filinvest Land, Vista Land and Sta.Lucia Realty. In Nasugbu, however, RLC’s projects, which cater more to the local market, have no direct competitors. Most of the popular developments such as Pico de Loro in Hamilo Coast by SM Investments Corporation are designed as weekend homes for the Metro Manila market. In Tagaytay, SM Investments Corporation also offers premium residences that seamlessly fuse together leisure and luxury – Tagaytay Highlands.

In terms of project types, RLC is comparable to emerging developers like Moldex, Extra Ordinary Development Corporation, and other regional developers that are still in the process of establishing a national presence.

RLC does not have records on file indicative of the relative sizes and financial and market strengths of the said companies. However, financial and operational performances of publicly-listed real estate companies are available through their disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange.

Sources and Availability of Raw Materials and Names of Principal Suppliers

RLC secured the services of Land Infrastructures Experts, Inc., Arlkaye Builders, R.A. Construction Corporation, Blue Development Inc., Ecoplan Inc., ECCruz Corporation and Emesae Design Corporation for its major real estate developments.

Transactions with and/or Dependence on Related Parties

RLC, RVHC, RSAI and RGEC are not dependent on a few customers or related parties in the sale of their properties/products or in offering their services. They cater to families and companies from all economic walks of life.

Patents, Trademarks and Copyrights

The Company's real property arm, RLC, has applied for the registration of the trademark for its project "Anya Resort and Residences" and Device. The trademark/Logo is registered with the Intellectual Property Office of the Philippines.

For RVHC, the use of "Go Hotels" Trademark/Logo is covered by the terms and conditions of the Franchise Agreement with Robinsons Land Corporation.

Need for Government Approvals of Principal Products or Services

As part of the normal course of business, RLC secures all the necessary permits such as but not limited to development permits from the local government, Certificate of Registration and License to Sell from the Housing and Land Use Regulatory Board, and the Environmental Compliance Certificate from the Department of Environment and Natural Resources.

RGEC secured service contract with Department of Energy to have exclusive right to explore, develop or utilize a particular renewable energy (i.e. solar energy) contract area in Nasugbu, Batangas.

Effect of Existing or Probable Governmental Regulations

For RLC

The real estate business is subject to a number of laws including the Civil Code of the Philippines, Presidential Decree Nos. 957 and 1216, the Maceda Law, and certain provisions of the Local Government Code. The industry is primarily regulated by the policies and rules and regulations issued by the Housing and Land Use Regulatory Board.

The Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*, provides that revenue from construction of real estate is recognizable only upon completion of the project, except when (a) such contract qualifies as construction contract which is to be accounted for under PAS 11, *Construction*

Contracts, or (b) it involves rendition of services in which case revenue is recognized based on stage of completion. The Securities and Exchange Commission has deferred the application of IFRIC 15 until the final Revenue Standard is issued by the IASB and after an evaluation on the requirements and guidance in the said Standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

Value Added Tax System

The present value-added tax (VAT) system imposes a 12% VAT on Sale of Real Properties. Section 4.106-3 of Revenue Regulations No. 16-2005 – Sale of real properties held primarily for sale to customers or held for lease in the ordinary course of trade or business of the seller shall be subject to VAT.

This includes sale, transfer or disposal within a 12-month period of two or more adjacent residential lots, house and lots or other residential dwellings in favor of one buyer from the same seller for the purpose of utilizing the lots, house and lots or other residential dwellings as one residential area wherein the aggregate value of the adjacent properties exceeds ₱1,919,500, for residential lots and ₱3,199,200 for residential house and lots or other residential dwellings. Adjacent residential lots, house and lots or other residential dwellings although covered by separate titles and/or separate tax declarations, when sold or disposed to one and the same buyer, whether covered by one or separate Deed/s of Conveyance, shall be presumed as a sale of one residential lot, house and lot or residential dwelling. The tax consequence does not adversely affect the company's business because the tax is passed onto the buyer or consumer.

For RGEC

RGEC, being in the Renewable Energy (RE) industry, is covered by the *Renewable Energy act of 2008* (Republic Act No.9513) which provides substantial incentives and privileges such as VAT zero-rated sales and income tax holiday for a period of 7 years from the start of commercial operations.

For RSAI

RSAI, being a BOI registered company, is entitled to import duty exemption of its capital equipment and income tax holiday for six (6) years from the start of commercial operations or January 2017, whichever is earlier. RSAI is also entitled to zero-rated VAT on export sales.

Costs and Effects of Compliance with Environmental Laws

RLC secures the required Environmental Compliance Certificates for all of its real property developments. For the Anya Resort and Residences project in Tagaytay, RLC has invested in the transfer and relocation of existing landscaping and therefore ensure that the generally lush environment is maintained.

In addition, designs of the houses as well as the amenities for Anya have incorporated sustainable architectural design features that maximize natural lighting and ventilation and reduce energy costs.

RGEC, RVHC and RSAI also secured the required Environmental Compliance Certificates before commencement of commercial operations.

Total Number of Employees and Number of Full-Time Employees

As of 31 December 2016, the Company has four (4) executives and thirteen (13) employees.

RLC, on the other hand, has two (2) executives and thirty eight (38) employees. Seven (7) of these RLC employees are based in Nasugbu, Batangas, one (1) in a satellite office in Balayan, Batangas and one (1) in satellite office in Tagaytay. The remaining employees are based in its administrative and corporate offices in Makati City.

RVHC has 52 employees while RSAI has two (2) executives and eight (8) employees.

RGEC has no full time employees yet as it is still at the pre-operating stage.

Property

The Company is the owner of a big tract of land located in Nasugbu, Batangas with land area of more or less 2,900 hectares, and with total appraised values of ₱4,570.8 million as of December 31, 2016. Of these, 2,300.60 hectares were covered by the Comprehensive Agrarian Reform Program (CARP).

In April 2010, RCI filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare fourteen (14) specific geographical areas within the RCI landholdings as tourism zones. To date, this application has remained unacted upon.

In total, RCI has around 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of CARP, including the 21.1236-hectare property declared exempt by the Supreme Court in its Decision dated 05 September 2011 in GRN 169331.

There are pending legal cases as at December 31, 2016. None of these contingencies are discussed in detail so as not to seriously prejudice the Company's position in the related disputes.

The Company is likewise the registered owner of a 1,030 sqm condominium unit located at the 7th Floor of Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City. It has a carrying value of ₱32,343 while fair market value is at ₱65.92 million as of December 31, 2016. This property and 7,777 sqm of land properties in Nasugbu, Batangas with total appraised values of ₱6.8 million as at December 31, 2016 are used as collateral for the long-term borrowings of the Company.

Real Estate

As of December 31, 2016, RLC's real estate for sale and development, consisting of real estate properties for sale, raw land and land improvements, amounted to ₱612.3 million. Of these, properties with total area of 677,522 sqm and carrying value of ₱178.8 million were used as collateral to secure certain loan obligations of the Company.

RSAI

RSAI is the owner of the 21,945 sqm land located in Purok 10, Poblacion, Tupi, South Cotabato wherein the Coconut Processing Plant is being constructed. It has a carrying value of ₱10 million as at September 30, 2016.

Legal Proceedings

RCI is a party to various legal proceedings mostly involving the coverage of its properties in Nasugbu, Batangas under the CARP.

Sometime in 1993, the Company filed a case questioning the Department of Agrarian Reform's (DAR) acquisition of its landholdings and asking for the cancellation of the Certificates of Land Ownership Awards (CLOAs) issued by the DAR in favor of the farmer-beneficiaries. On 17 December 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over haciendas Palico, Banilad and Caylaway/Carmen. The High Tribunal ruled that the Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOAs that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Company filed with the DAR an application for CARP exemption of its three Haciendas in Nasugbu based on Presidential Proclamation No. 1520 which declared the entire municipality of Nasugbu as a tourist zone. RCI likewise filed exemption applications for smaller areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that PP No. 1520 did not automatically reclassify the agricultural lands in Nasugbu, Batangas to non-agricultural lands¹⁰. However, the Court noted that RCI "can only look to the provisions of the Tourism Act and not to PP No. 1520, for possible exemption".

On February 08, 2011, the Supreme Court denied the Company's Second Motion for Reconsideration and affirmed with finality its December 2009 Decision.

Consistent with the 2009 Supreme Court Decision that "Roxas and Co. can only look to the provisions of the Tourism Act, and not to PP 1520, for possible exemption," RCI filed in April 2010 with the Tourism Infrastructure and Enterprise Zone Authority ("TIEZA") an application to declare fourteen (14) Specific Geographic Areas located in the RCI landholdings as Tourism Enterprise Zones ("TEZs"). This application was based on the Tourism Act of 2009.

To date, the said application has not been acted upon, primarily because it took the DOT some time to promulgate the Implementing Rules and Regulations ("IRR"). However, in July 2011, the IRR was published in newspapers of general circulation and the same took effect on 01 August 2011. At present, RCI's application is still pending with the TIEZA.

On 20 September 2011, RCI received from the Supreme Court a Decision dated 05 September 2011¹¹ affirming the exemption of a 21.1236-hectare property from CARP. The exempt property consists of 27 parcels of land located in Barangay Aga, Nasugbu, Batangas.

There are three¹² other CARP-related cases that are pending with the Provincial Adjudicator (PARAD) of Western Batangas and the Department of Agrarian Reform (DAR).

¹⁰ The 04 December 2009 Decision in SC GRN 149548, 165450, 167453, 179650, 167845 AND 169163 may be accessed at <http://sc.judiciary.gov.ph/jurisprudence/2009/december2009/149548.htm>.

¹¹ Agapito Rom, et. al. vs. Roxas and Company, Inc., G.R. No. 169331.

¹² These cases are: (i) DAR Adm. Case No. A-9999-100-97, which is an application for exemption from CARP coverage of a 45.97 hectare property in Brgy. Aga on the ground that the said property has a slope of at least 18%. The DAR granted RCI's application. However, the farmer-beneficiaries filed a Motion for Reconsideration, to which RCI filed an opposition; (ii) Petitions for the cancellation of CLOA No. 6646 covering a 21-hectare property. These cases stemmed from a Certificate of Finality issued by DAR exempting the subject property from CARP coverage. The Provincial Adjudicator of Batangas (PARAD)

In the ordinary course of its business, the Company is a party to other cases, either as complainant or defendant. However, the Company believes that these cases do not have any material adverse effect.

On 22 October 2012, the DAR published a Notice of Coverage over approximately 2,514.76 hectares of the Company's properties. The Company has filed its Protest with the DAR against this wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage) and the applicable law (RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of RCI. On June 27, 2014, RCI filed a Petition for Certiorari with the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

The Company shall account for any legal and financial liabilities arising from the land properties subject to CARP upon the resolution of ownership by the Court.

There are pending legal cases as at December 31, 2016. None of these contingencies are discussed in detail so as not to seriously prejudice the Group's position in the related disputes.

Real Estate

In the ordinary course of its business, RLC is engaged in litigation either as complainant or defendant. RLC believes that these cases do not have any material adverse effect on it.

Submission of Matters to a Vote of Security Holders

The following item will be submitted to a vote of security holders, through solicitation of proxies or otherwise, during the period covered by this report:

1. Extension of Corporate Term of the Company and the Amendment of the Articles of Incorporation for this purpose.

PART II – SECURITIES OF THE REGISTRANT

Market Price of and Dividends on Common Equity and Related Stockholder Matters

1. Market Information.

decided in favor of the Company and cancelled the CLOA. The farmers' Motion for Reconsideration was subsequently denied by the PARAD. The cases are now with the Department of Agrarian Reform Adjudication Board (DARAB) in view of the appeal filed by the farmers; and (iii) DAR Case Nos. R-0401-0021 to 0058-2009 stems from a final and executory Supreme Court ruling exempting from CARP coverage a 30.1685-hectare property in Barangay Banilad, Batangas. As such, the Company filed with the PARAD Petitions for cancellation of CLOA 5189 insofar as the exempted area is concerned.

The Company has 1,973,867,387 common shares listed and traded in the Philippine Stock Exchange under the trading symbol "RCI" as of 31 December 2016.

(a) High and low share price for the three-month period ended December 31, 2016, the first quarter of 2017 and last two (2) fiscal years:

| | High | Low |
|----------------------------|-------|-------|
| October 2014-December 2014 | ₱2.80 | ₱2.80 |
| January 2015-March 2015 | 2.95 | 2.57 |
| April 2015-June 2015 | 2.89 | 1.70 |
| July 2015-September 2015 | 2.80 | 1.57 |
| October 2015-December 2015 | 3.20 | 2.07 |
| January 2016-March 2016 | 2.88 | 1.30 |
| April 2016-June 2016 | 3.60 | 2.23 |
| July 2016-September 2016 | 2.53 | 2.22 |
| October 2016-December 2016 | 2.34 | 2.20 |
| January 2017-March 2017 | 2.37 | 2.00 |

As of 16 May 2017, market price of the shares is at Php1.80.

(b) Holders. There are 3,345 holders of the Company's listed shares as of 30 April 2017. The top twenty (20) holders of the Company's common shares as of said date are:

| | STOCKHOLDERS | NATIONALITY | TOTAL SHARES | % |
|----|--|-----------------------------------|---------------|--------|
| 1 | PCD Nominee Corporation (Filipino) | Philippine National | 1,139,983,460 | 39.15% |
| 2 | SCPI Holdings, Inc. | Philippine National | 642,779,593 | 22.07% |
| 3 | Pesan Holdings, Inc. | Philippine National ¹³ | 326,921,001 | 11.23% |
| 4 | PCD Nominee Corporation (Non-Filipino) | Other Alien | 258,225,485 | 8.87% |
| 5 | Cisco Holdings, Inc. | Philippine National | 112,500,000 | 3.86% |
| 6 | CRE Holdings, Inc. | Philippine National | 112,500,000 | 3.86% |
| 7 | IÑIGO Holdings, Inc. | Philippine National | 112,500,000 | 3.86% |
| 8 | SRE Holdings, Inc. | Philippine National | 112,500,000 | 3.86% |
| 9 | Antonio J. Roxas | Filipino | 50,064,495 | 2.54% |
| 10 | Pesan Holdings, Inc. | Filipino | 13,606,519 | 0.47% |
| 11 | Rizal Commercial Banking | Philippine National | 3,048,161 | 0.10% |

¹³ This does not include the 1,271,559 shares beneficially owned by Pesan Holdings, Inc. (PHI) but owned on record by the PCD Nominee Corporation, the top 7 stockholder. Mr. Pedro E. Roxas is the controlling stockholder of Pesan Holdings, Inc. (PHI). In total, Mr. Pedro E. Roxas owns, directly and indirectly, 343,518,543 RCI shares representing 17.40% of the subscribed capital stock.

| | | | | |
|----|--|---------------------|-----------------------------------|----------------|
| | Corporation | | | |
| 12 | Antonio Roxas Chua | Filipino | 2,379,610 | 0.08% |
| 13 | Mari Carmen R. Elizalde | Filipino | 1,361,241 | 0.05% |
| 14 | Santiago R. Elizalde | Filipino | 1,210,930 | 0.04% |
| 15 | Carlos Antonio R. Elizalde | Filipino | 1,200,320 | 0.04% |
| 16 | Francisco R. Elizalde | Filipino | 1,200,320 | 0.04% |
| 17 | Central Azucarera dela Carlota Retirement Trust Fund | Philippine National | 1,178,400 | 0.04% |
| 18 | Pedro E. Roxas | Filipino | 937,892 | 0.03% |
| 19 | Equitable Securities FAO Inigo Elizalde | Filipino | 933,810 | 0.03% |
| 20 | Severo A. Tuazon & Company, Inc. | Filipino | 537,000 | 0.02% |
| | SUBTOTAL | | 2,896,902,847 | % |
| | OTHER STOCKHOLDERS | | 17,791,176 | |
| | GRAND TOTAL | | 1,973,867,387¹⁴ | 100.00% |

2. Dividends.

The ability of the Company to declare and pay dividends on its common shares is generally governed by the pertinent provisions of the Corporation Code of the Philippines, i.e. prohibition on capital impairment and the limitation on the discretion of the Board of Directors, among others. In the recent past, the Company declared and paid dividends as follows:

| <i>Declaration Date</i> | <i>Dividend Per Share</i> | <i>Record Date</i> | <i>Payment Date</i> |
|-------------------------|---------------------------|--------------------|---------------------|
| 29 June 2006 | ₱ 0.06 | 14 July 2006 | 31 July 2006 |
| 5 October 2006 | = 0.06 | 19 October 2006 | 10 November 2006 |
| 21 June 2007 | = 0.06 | 13 July 2007 | 31 July 2007 |
| 20 September 2007 | = 0.04 | 15 October 2007 | 8 November 2007 |
| 26 June 2008 | = 0.06 | 15 July 2008 | 31 July 2008 |
| 2 October 2008 | = 0.06 | 15 October 2008 | 30 October 2008 |
| 13 December 2013 | = 0.02 | 06 January 2014 | 30 January 2014 |
| 12 December 2014 | = 0.02 | 15 January 2015 | 30 January 2015 |
| 18 December 2015 | = 0.01 | 15 January 2016 | 05 February 2016 |

3. Recent Sales of Unregistered Securities.

(a) Securities Sold.

There was no recent sale of unregistered or exempt securities.

¹⁴ The treasury shares registered under PCD Nominee Corporation were excluded from the grand total.

However, on 23 June 2009, the SEC approved the increase of the authorized capital stock from Php1,962,500,000.00 divided into 1,962,500,000 shares with a par value of Php1.00 each to Php3,375,000,000.00 divided into 3,375,000,000 shares with a par value of Php1.00 each.

Pursuant to the Plan of Merger, which was likewise approved by the SEC on 23 June 2009 and became effective on 29 June 2009, (i) 1,481,521,405 CADPGC shares previously owned by RCI, (ii) 1,506,000 pre-merger treasury shares of CADPGC; and (iii) 1,365,990,294 new and still unlisted shares from the increase in the authorized capital stock, were distributed/transferred to the stockholders of the absorbed company, RCI.

(b) Exemption from Registration Claimed.

On 30 June 2009, the Company filed with the Securities and Exchange Commission a Notice of Exempt Transaction (SEC Form 10.1) for the 1,365,990,294 new and unlisted shares (taken from the increase in the authorized capital stock) that were issued by the Company in connection with the merger of RCI and CADPGC.

The Philippine Stock Exchange (PSE) approved on 25 November 2009 the application submitted by the Company to list the additional 1,365,990,294 common shares, with par value of Php1.00 per share, to cover the merger transaction between RCI and CADPGC.

On 09 December 2009, 1,365,990,294 Company common shares were listed with the PSE.

4. Description of Registrant's Securities.

The authorized capital stock of the company is ₱3,375,000,000 divided into 3,375,000,000 common shares with ₱1.00 par value a share.

Shareholders have no pre-emptive rights to any issue of shares, of whatever class by the corporation unless otherwise decided by the Board of Directors for the best interest of the corporation (Art. VIII, CADPGC Amended Articles of Incorporation). There is no provision in its charter or by-laws which would delay, defer or prevent a change in control of the Company.

PART III CORPORATE GOVERNANCE

The Board approved the Company's Revised Manual on Corporate Governance on 08 December 2009 in conformity with Memorandum Circular No. 6, Series of 2009 issued by the Securities and Exchange Commission (SEC). Since the effectivity of the Company's original Manual on Corporate Governance on 01 January 2003, the Company has complied with the principles contained in the Manual, both the original and the revised, insofar as they may be relevant to the Company's business. The Company likewise established an evaluation system to measure or determine the level of compliance of its Board of Directors and top-level management with the Manual. The evaluation system basically consists of determining the Company's compliance with certain best practices act such as the observance of the basic rights of shareholders, equitable treatment of shareholders, recognizing the shareholders' role in corporate governance, timely disclosure and transparency and Board responsibility. Measures are also being undertaken by the Company to ensure full compliance with the leading practices it has adopted in

the Manual such as the constitution of the Audit & Risk Committee, Compensation Committee, and Governance, Nomination and Election Committee, the election of the required number of independent directors to its Board of Directors, the amendment of Section 2 of Article II of its By-Laws dealing on the qualifications and disqualifications of its directors in order to adopt the provisions of the Manual which deal on the qualifications and disqualifications of directors.

On 07 August 2014, upon the directives of the SEC through Memorandum Circular No. 9, Series of 2014, the Board approved the revised Manual on Corporate Governance.

On 12 May 2017, pursuant to SEC Memorandum Circular No. 19, Series of 2016, the Board approved the Revised Manual on Corporate Governance to incorporate some key recommendations of the SEC in their proposed Code of Corporate Governance for Publicly-Listed Corporations.

The Company has not deviated from or violated the provisions of the Manual. The Company undertakes to improve its corporate governance practices as may be required by law or the exigency of the business.

PART IV OTHER MATTERS

Action With Respect to Reports

The following reports/minutes of meetings will be submitted for ratification/approval by the stockholders in the Annual Stockholders' Meeting scheduled on 16 June 2017:

- a) Chairman's Report and the Consolidated Audited Financial Statements for the fiscal year ended 30 September 2016;
- b) Chairman's Report and the Consolidated Audited Financial Statements for the short period of 01 October 2016 to 31 December 2016;
- c) Minutes of the Annual Meeting of Stockholders held on 09 March 2016.
 - i. The minutes of meeting of the 09 March 2016 annual meeting of shareholders will be made available to all shareholders on the day of the annual meeting. Essentially, the minutes of the annual meeting contains the following:
 - (i) reading and approval of the minutes of the 25 February 2015 annual meeting of shareholders;
 - (ii) presentation and approval of the 30 September 2015 annual report to shareholders;
 - (iii) approval and ratification of all acts and resolution of the Board of Directors since the annual meeting of shareholders on 25 February 2015;
 - (iv) the elected members of the Board of Directors for fiscal year 2015-2016;

- (v) the external auditor for fiscal year 2015-2016; and
 - (vi) the approval of the amendment to the Articles of Incorporation specifying the principal place of business of the Company to be at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.
- d) Acts/Resolutions of the Board of Directors since the 09 March 2016 annual meeting of shareholders, which include the following:
- (i) Acts/resolutions approved during the 09 March 2016 Organizational Meeting of the Board of Directors. At the Organizational Meeting, the Board of Directors elected Ms. Corazon S. De La Paz-Bernardo to be an independent director of the Company. The Board also elected the following as officers of the Company:

| | | |
|--|---|--|
| Pedro E. Roxas | - | Chairman/President & CEO |
| Armando B. Escobar | - | Executive Vice President & CFO/Treasurer Risk Management Officer |
| Atty. Peter D. Barot | - | Corporate Secretary |
| Atty. Alejandro S. Casabar ¹⁵ | - | Assistant Corporate Secretary Compliance Officer Corporate Information Officer |

The following Directors were elected to the Audit & Risk; Executive Compensation; and Nomination, Election & Governance Committees:

Audit & Risk Committee

| | | |
|---|---|---------------------------------|
| Corazon S. De La Paz-Bernardo | - | Chairman (Independent Director) |
| Fernando L. Gaspar ¹⁶ | - | Member |
| Mr. Aurelio Montinola III ¹⁷ | - | Member |
| Francisco Jose R. Elizalde | - | Member |

Executive Compensation Committee

| | | |
|-------------------------------|---|---------------------------------|
| Guillermo D. Luchangco | - | Chairman (Independent Director) |
| Corazon S. De La Paz-Bernardo | - | Member (Independent Director) |
| Pedro E. Roxas | - | Member |

Nomination, Election & Governance Committee

| | | |
|-------------------------------|---|-------------------------------|
| Pedro E. Roxas | - | Chairman |
| Carlos R. Elizalde | - | Member |
| Corazon S. De La Paz-Bernardo | - | Member (Independent Director) |

¹⁵ Atty. Casabar resigned as Assistant Corporate Secretary and Compliance Officer on 15 September 2016.

¹⁶ Mr. Fernando Gaspar resigned from the Audit and Risk Committee on 12 August 2016.

¹⁷ Mr. Aurelio Montinola III was appointed as a member of the Audit and Risk Committee on 16 December 2016.

- (ii) Acts/resolutions approved during the 13 May 2016 regular meeting of the Board: (a) consolidated financial reports of the Company for the quarter ending 31 March 2016; (b) Approval of the Whistle-Blowing Policy of the Company; (c) Approval of the filing of an Action for Recovery of Possession for Lot 125-J;
- (iii) Acts/resolutions approved during the 12 August 2016 special meeting of the Board: (a) financial reports for the quarter ending 30 June 2016; (b) Appointment of Mr. Fernando L. Gaspar as Executive Director; (c) Approval of the Trade Restriction Policy; and (d) Approval of the Amendment of the By-Laws- moving the date of the Stockholders' Meeting from the last Wednesday of February to the last Wednesday of May and (e) Appointment of representative to the CGB Condominium Owner's Association, Inc. (CGBCOAI);
- (iv) Acts/resolutions approved during the 15 September 2016 special meeting of the Board: Resignation of Atty. Alejandro S. Casabar as Assistant Corporate Secretary and declaring the position of Assistant Corporate Secretary as VACANT;
- (v) Acts/resolutions approved during the 27 October 2016 special meeting of the Board: (a) Appointment of Atty. Monica Isabelle I. Villanueva as Assistant Corporate Secretary and Compliance Officer; (b) Appointment of a Fund Coordinator for Pag-IBIG Fund;
- (vi) Acts/resolutions approved during the regular meeting of the Board held on 16 December 2016: (a) Appointment of Mr. Fernando L. Gaspar as President and Chief Executive Officer of the Company; (b) Resignation of Mr. Antonio J. Roxas as Director of the Company and his appointment as Special Board Advisor; (c) Appointment of Mr. Aurelio Montinola III as Independent Director and member of the Audit and Risk Committee (d) Approval of and Update on Bank signatories; (e) Approval of the Audited Financial Statements for the fiscal year ending 30 September 2016; (f) Approval of appointment of SyCip Gorres Velayo 7 Co, as external auditor for the short period audit (01 October 2016 to 31 December 2016) and for the calendar year 2017 (g) Filing of criminal complaint for Perjury before the Office of Provincial Prosecutor's Office of Nasugbu, Batangas; (h) Application for PLDT facilities and services; (h) Authority to transact with BDO Unibank, Inc. – Trust & Investment Group (STA) as the stock transfer and dividend paying agent and updating of signatories (i) Updating of authorized Bank signatories;
- (vii) Acts/resolutions approved by the Board of Directors at its regular meeting held on 06 April 2017: (a) Approval of the Audited Financial Statements for the Short Period (01 October 2016 to 31 December 2016); (b) Approval of the Year-End Report 17-A (31 December 2016); (c) Confirmation of the setting of annual shareholders' meeting to 31 May 2017 pursuant to the By-laws;
- (viii) Acts/resolutions approved by the Board of Directors at its special meeting held on 27 April 2017: (a) Postponement of the Annual Meeting of Shareholders from 31 May 2017 to 16 June 2017; (b) Setting of record date to 18 May 2017 for purposes of the cut-off for the ASM;

- (ix) Acts/resolutions to be approved by the Board of Directors at its regular meeting to be held on 12 May 2017, including but not limited to: (i) Approval of the 1st quarter report of the Company; (ii) Approval of extension of corporate term for another fifty (50) years and the corresponding amendment of the Articles of Incorporation; (iii) Approval of the Revised Manual on Corporate Governance.

VOTING PROCEDURES

(a) The vote required for the:-

- (1) Approval of the Minutes of Previous Stockholders' Meeting - majority of the shares represented at the meeting
- (2) Approval of the Chairman's and President's Report - majority of the shares represented at the meeting
- (3) Approval of the Audited Financial Statements - majority of the shares represented at the meeting
- (4) Approval of All Acts and Resolutions of the Board of Directors and Management - majority of the shares represented at the meeting
- (5) Election of Directors - plurality of vote of the stockholders owning or representing a majority of the outstanding shares
- (6) Election of External Auditors - plurality of the shares represented at the meeting

(b) The method by which votes will be counted - Subject to cumulative voting in the election of directors, each stockholder shall have one vote for each share of stock entitled to vote and registered in his name at record date. Counting of votes will be done by representatives of Banco de Oro as the Company's stock transfer agent, representatives of SyCip Gorres Velayo & Co., and the Assistant Corporate Secretary, all of whom shall serve as members of the election committee. Voting shall be done through raising of hands.

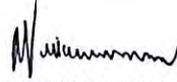
THE COMPANY UNDERTAKES TO PROVIDE WITHOUT CHARGE A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A UPON WRITTEN REQUEST ADDRESSED TO THE OFFICE OF THE ASSISTANT CORPORATE SECRETARY, 7/F CG BULDING, 101 AGUIRRE ST., LEGASPI VILLAGE, MAKATI CITY 1229. AT THE DISCRETION OF MANAGEMENT, A CHARGE MAY BE MADE FOR EXHIBITS, PROVIDED SUCH CHARGE IS LIMITED TO REASONABLE EXPENSES INCURRED BY THE REGISTRANT FURNISHING SUCH EXHIBITS.

SIGNATURE

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 hereunto duly authorized.

ROXAS AND COMPANY, INC.
(formerly **CADP GROUP CORPORATION**)

By:



MONICA ISABELLE I. VILLANUEVA
Assistant Corporate Secretary

22 May 2017.



A N N E X “A”

Statement of Management’s Responsibility and Audited Consolidated Financial Statements

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **Roxas and Company, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the three months ended **December 31, 2016** and for the years ended **September 30, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

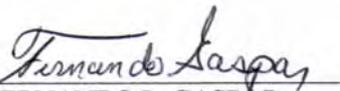
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

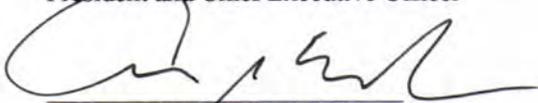
SGV & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such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



PEDRO E. ROXAS
Chairman



FERNANDO L. GASPAS
President and Chief Executive Officer



ARMANDO B. ESCOBAR
EVP-Chief Finance Officer/ Treasurer

Signed this **6th day of April, 2017**.

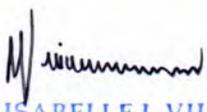
11 APR 2017

MANILA

SUBSCRIBED AND SWORN to before me this _____ in Makati City, affiants exhibiting to me their respective competent ID's and Community Tax Certificates, as follows:

| Names | Competent ID | Date of Issue/Expiry | CTC/ Issue Date | Place of Issue |
|--------------------|------------------------------------|---------------------------|------------------------|----------------|
| Pedro E. Roxas | Passport No. EC2368933 | 10 Oct 2014 – 09 Oct 2019 | 04924364/ Feb. 6, 2015 | Makati City |
| Fernando L. Gaspar | Driver's license No. N15-69-020298 | 28 June 2017 | | |
| Armando B. Escobar | SSS ID# 03-6432908-7 | | | |

Doc. No. 341
Page No. 70
Book No. 11
Series of 2017


MONICA ISABELLE I. VILLANUEVA
Commission No. 2016-083
Notary Public for Manila
Until 31 December 2017
Roll No. 57364
PTR No. 6045188 ; 01/14/2017
IBP No. 1061288 ; 01/09/2017

**Roxas and Company, Inc.
and Subsidiaries**

Consolidated Financial Statements
December 31, 2016
(With Comparative Figures for the Years
Ended September 30, 2016 and 2015)

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Roxas and Company, Inc.

Opinion

We have audited the consolidated financial statements of Roxas and Company, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three months ended December 31, 2016, and notes to the 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 its consolidated financial performance and its consolidated cash flows for the three months ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as at September 30, 2016 and for the years ended September 30, 2016 and 2015, which are presented for comparative purposes, were audited by other auditors whose report thereon dated December 16, 2016 expressed an unqualified 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. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters

Revenue and costs recognition

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs accounts for 72% of total consolidated revenues and 87% of the total consolidated cost of sales for the three months ended December 31, 2016, respectively. The estimation of the total cost of the real estate project requires technical inputs by management's specialists (project development engineers). In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Upon reaching this level of collection, management assesses that it is probable that economic benefits will flow to the Group because of the buyer's continuing commitment with the sales agreement. The assessment of the stage of completion and level of buyer's equity involves significant management judgment. Refer to Notes 4 and 5 for the relevant accounting policy and a discussion of significant estimates.

Audit Response

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. For selected projects, we obtained certification of POC from the project development engineers. We assessed the competence, capabilities and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted an ocular inspection of selected project sites and made relevant inquiries with project engineers, obtained the approved total estimated costs and any revisions thereto and the supporting details such as estimated cost per project activity or construction phase, and traced accumulated costs to the supporting documents such as progress billing and accomplishment report. We performed test computation of the percentage of completion calculation of management. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as official receipts.

Classification of investment properties, and valuation of investment properties and land under property and equipment

The Group has significant parcels of land in Nasugbu, Batangas that have been subjected to the revised Notice of Coverage (NOC) issued by the Department of Agrarian Reform under the Comprehensive Agrarian Reform Law (CARL). The Group has a pending Petition for Certiorari to the Court of Tax Appeals, hence, management continues to recognize these parcels of land



under CARP as part of the Group's investment properties. As of December 31, 2016, these parcels of land have a carrying value of ₱4,316.3 million, representing 94% of the total investment properties. The classification of these parcels of land as part of investment properties is significant to our audit because the assessment requires significant judgment by management based on the status of the legal proceedings. The inherent uncertainty over the outcome of this matter is brought about by the differences in the interpretation and application of the regulations, laws and rulings.

Further, the Group accounts for its investment properties at fair value and its land properties under property and equipment at revalued amount. As of December 31, 2016, the carrying value of the Group's total investment properties and land properties amounted to ₱4,317.59 million and ₱551.24 million, representing 41% and 4.9% of the Group's consolidated total assets, respectively. The valuation of the investment properties and land properties under property and equipment requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price of similar properties and adjustments to sales price based on internal and external factors. This matter is significant to our audit because it involves significant judgment and estimates.

Refer to Notes 4 and 5 for the relevant accounting policy and a discussion of significant estimates, and Notes 12 and 13 for the detailed disclosure about the Group's land properties and investment properties.

Audit Response

For the parcels of land covered by CARL which were classified as Investment Properties, we inquired with the Group's internal legal counsel and finance officers about the status the legal proceedings. We obtained confirmation letters from external legal counsel about the progress of the legal proceedings, including their assessment on the likely outcome. We also inspected relevant correspondence with the regulatory bodies. We involved our internal specialist in the evaluation of the position of the Group by considering the laws, rulings and jurisprudence.

For the fair values of the entire investment properties and land properties under property and equipment, we involved our internal specialist in evaluating the methodologies and the assumptions used by the external appraisers, whose professional qualifications and objectivity were considered. We reviewed the relevant information supporting the sales price of similar properties and inquired from the external appraiser the basis of adjustments made to the sales price. We also reviewed the Group's disclosures with respect to investment properties and land properties.

Assessment of recoverability of investment in an associate

The Group hold a 25% interest in Roxas Holdings, Inc. (RHI), which is accounted for as an investment in an associate. The carrying value of investment in RHI as at December 31, 2016 amounted to ₱2,100.42 million while the equity in net loss in RHI amounted to ₱28.16 million or 29.12% of the total consolidated net loss of the Group for the three months ended December 31, 2016. PFRS requires an impairment testing of an investment in associates where there are indicators of impairment. The Group's management assessed that the volatility in the share price of RHI and the net loss in the most recent reporting periods are indicators of impairment. We have identified the assessment of recoverability of the investment in an associate as a key audit matter because the management's impairment assessment process requires significant judgment and is based on assumptions, specifically



the forecasted revenue, operating costs, capital expenditures and discount rate. Refer to Notes 4 and 5 for the relevant accounting policy and a discussion of significant estimates, and Note 11 for the detailed disclosure about the investment in an associate.

Audit Response

Our audit procedures included, among others, obtaining an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. We compared the key assumptions such as the forecasted revenue, operating costs and capital expenditures against the historical performance of the cash generating unit (CGU) and other relevant external data. We tested the parameters used in the derivation of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of investment in an associate.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A and Annual Report for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A or Annual Report for the three months ended December 31, 2016, which is expected to be made available to us after that date.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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



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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



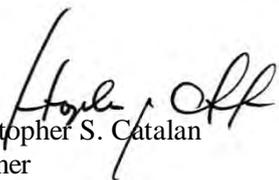
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.



Kristopher S. Catalan
Partner

CPA Certificate No. 109712

SEC Accreditation No. 1509-A (Group A),

October 1, 2015, valid until September 30, 2018

Tax Identification No. 233-299-245

BIR Accreditation No. 08-001998-109-2015,

March 4, 2015, valid until March 3, 2018

PTR No. 5908679, January 3, 2017, Makati City

April 6, 2017



ROXAS AND COMPANY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***Amounts in Thousands***(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED SEPTEMBER 30, 2016)**

| | December 31, 2016 | September 30, 2016 |
|--|----------------------|-----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 7) | P63,875 | P104,115 |
| Trade and other receivables (Notes 8 and 20) | 606,526 | 555,609 |
| Real estate for sale and development (Note 9) | 664,948 | 612,308 |
| Other current assets (Note 10) | 235,999 | 145,083 |
| Total Current Assets | 1,571,348 | 1,417,115 |
| Noncurrent Assets | | |
| Receivables - net of current portion (Note 8) | 66,579 | 135,744 |
| Investments in associates and a joint venture (Note 11) | 2,233,224 | 2,259,756 |
| Property and equipment (Note 12) | | |
| At cost model | 2,056,752 | 1,557,449 |
| At revaluation model | 551,240 | 527,361 |
| Investment properties (Note 13) | 4,570,834 | 4,570,834 |
| Deferred income tax assets - net (Note 23) | 32,671 | 24,070 |
| Other noncurrent assets (Note 10) | 178,051 | 210,384 |
| Total Noncurrent Assets | 9,689,351 | 9,285,598 |
| TOTAL ASSETS | P11,260,699 | P10,702,713 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings (Note 14) | P1,410,226 | P1,238,300 |
| Current portion of long-term borrowings (Note 15) | 198,390 | 62,500 |
| Trade and other payables (Notes 16, and 20) | 513,697 | 389,500 |
| Total Current Liabilities | 2,122,313 | 1,690,300 |
| Noncurrent Liabilities | | |
| Long-term borrowings - net of current portion (Note 15) | 1,728,000 | 1,527,724 |
| Retirement liability (Note 17) | 19,654 | 18,023 |
| Deferred income tax liabilities - net (Note 23) | 8,845 | 4,936 |
| Total Noncurrent Liabilities | 1,756,499 | 1,550,683 |
| Total Liabilities | 3,878,812 | 3,240,983 |
| Equity attributable to the Equity Holders of the Parent Company (Note 18) | | |
| Capital stock | 2,911,886 | 2,911,886 |
| Additional paid-in capital | 1,627,911 | 1,627,905 |
| Treasury stock | (1,594,631) | (1,594,749) |
| Other equity reserves | 330,552 | 322,038 |
| Retained earnings | 3,725,264 | 3,815,251 |
| | 7,000,982 | 7,082,331 |
| Non-controlling Interests (Note 5) | 380,905 | 379,399 |
| Total Equity | 7,381,887 | 7,461,730 |
| TOTAL LIABILITIES AND EQUITY | P11,260,699 | P10,702,713 |

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF INCOME***Amounts in Thousands, except Basic/Diluted Earnings (Loss) per Share Data***FOR THE THREE MONTHS ENDED DECEMBER 31, 2016****(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015)**

| | December 31, 2016 (Three Months, Note 1) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|--|---|-------------------------------------|-------------------------------------|
| REVENUES | | | |
| Real estate | ₱26,984 | ₱193,915 | ₱250,434 |
| Hotel | 10,470 | – | – |
| | 37,454 | 193,915 | 250,434 |
| COST OF SALES AND SERVICES | | | |
| Cost of real estate sales (Note 9) | (21,071) | (125,967) | (152,939) |
| Cost of hotel sales and services | (3,239) | – | – |
| | (24,310) | (125,967) | (152,939) |
| GROSS INCOME | 13,144 | 67,948 | 97,495 |
| OPERATING EXPENSES (Note 20) | (104,629) | (185,236) | (118,215) |
| OTHER INCOME (CHARGES) | | | |
| Equity in net earnings (loss) of associates and a joint venture (Note 11) | (26,532) | 17,207 | 3,823 |
| Interest expense (Notes 14 and 15) | (9,504) | (30,751) | (17,871) |
| Interest income (Notes 7, 8, and 19) | 1,696 | 9,769 | 11,736 |
| Unrealized fair value gain on investment properties (Note 13) | – | 75,390 | 55,319 |
| Gain (loss) on deemed disposal of an associate (Note 11) | – | (73,679) | 84,774 |
| Gain from step up acquisition of a subsidiary (Note 6) | – | 6,949 | – |
| Others - net (Note 22) | 17,595 | 21,822 | 27,404 |
| | (16,745) | 26,707 | 165,185 |
| INCOME (LOSS) FROM BEFORE INCOME TAX | (108,230) | (90,581) | 144,465 |
| INCOME TAX EXPENSE (BENEFIT) (Note 23) | | | |
| Current | 582 | 1,347 | 17,015 |
| Deferred | (12,130) | (14,072) | (7,666) |
| | (11,548) | (12,725) | 9,349 |
| NET INCOME (LOSS) | (₱96,682) | (₱77,856) | ₱135,116 |
| Net Income (Loss) attributable to: | | | |
| Equity holders of the Parent Company | (₱89,987) | (₱71,445) | ₱135,157 |
| Non-controlling interests | (6,695) | (6,411) | (41) |
| | (₱96,682) | (₱77,856) | ₱135,116 |
| BASIC/DILUTED EARNINGS (LOSS) PER SHARE | | | |
| ATTRIBUTABLE TO THE EQUITY HOLDERS | | | |
| OF THE PARENT COMPANY (Note 26) | (₱0.05) | (₱0.04) | ₱0.07 |

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Amounts in Thousands***FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND
(WITH COMPARATIVE FIGURES FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015)**

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|---|------------------------------|-----------------------|-----------------------|
| | (Three Months, Note 1) | (One Year) | (One Year) |
| NET INCOME (LOSS) | (₱96,682) | (₱77,856) | ₱135,116 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Appraisal increase on land of a subsidiary - net of tax (Note 12) | 16,715 | 4,642 | - |
| Share in appraisal increase on land of an associate, net of tax (Note 11) | - | 45,497 | - |
| Share in remeasurement gain (loss) on retirement liability of an associate, net of tax (Note 18) | - | (11,294) | (5,349) |
| Remeasurement gain on retirement liability, net of tax (Note 17) | - | 155 | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) | (₱79,967) | (₱38,856) | ₱129,767 |
| Total Comprehensive Income (Loss) attributable to: | | | |
| Equity holders of the Parent Company | (₱81,473) | (₱33,321) | ₱129,808 |
| Non-controlling interests | 1,506 | (5,535) | (41) |
| | (₱79,967) | (₱38,856) | ₱129,767 |

See accompanying Notes to Consolidated Financial Statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in Thousands

**FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND
THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

| | Equity Attributable to Equity Holders of the Parent Company (Note 18) | | | | | Total | Non-controlling Interests | Total Equity |
|---|---|-------------------------------|---------------------|-------------------------|----------------------|-------------------|------------------------------|-------------------|
| | Capital Stock | Additional Paid-in Capital | Treasury Stock | Other Equity Reserve | Retained Earnings | | | |
| Balances as at October 1, 2014 | P2,911,886 | P1,611,393 | (P1,683,654) | P289,263 | P3,809,706 | P6,938,594 | (P5,631) | P6,932,963 |
| Net income (loss) for the year | – | – | – | – | 135,157 | 135,157 | (41) | 135,116 |
| Issuances of treasury shares | – | 15,000 | 85,000 | – | – | 100,000 | – | 100,000 |
| Cash dividends | – | – | – | – | (38,430) | (38,430) | – | (38,430) |
| Share in remeasurement loss on retirement liability of an associate, net of tax | – | – | – | (5,349) | – | (5,349) | – | (5,349) |
| Balances as at September 30, 2015 | 2,911,886 | 1,626,393 | (1,598,654) | 283,914 | 3,906,433 | 7,129,972 | (5,672) | 7,124,300 |
| Non-controlling interest from step up acquisition of a subsidiary | – | – | – | – | – | – | 358,899 | 358,899 |
| Net loss for the year | – | – | – | – | (71,445) | (71,445) | (6,411) | (77,856) |
| Share in appraisal increase on land of an associate, net of tax (Note 11) | – | – | – | 45,497 | – | 45,497 | – | 45,497 |
| Acquisition of a subsidiary with non-controlling interest | – | – | – | – | – | – | 31,707 | 31,707 |
| Cash dividends | – | – | – | – | (19,737) | (19,737) | – | (19,737) |
| Share in remeasurement loss on retirement liability of an associate, net of tax | – | – | – | (11,294) | – | (11,294) | – | (11,294) |
| Issuances of treasury shares | – | 1,512 | 3,905 | – | – | 5,417 | – | 5,417 |
| Appraisal increase on land (Note 12) | – | – | – | 3,766 | – | 3,766 | 876 | 4,642 |
| Remeasurement loss on retirement liability, net of tax | – | – | – | 155 | – | 155 | – | 155 |
| Balances as at September 30, 2016 | 2,911,886 | 1,627,905 | (1,594,749) | 322,038 | 3,815,251 | 7,082,331 | 379,399 | 7,461,730 |
| Net loss for the period | – | – | – | – | (89,987) | (89,987) | (6,695) | (96,682) |
| Appraisal increase on land - net of tax (Note 12) | – | – | – | 8,514 | – | 8,514 | 8,201 | 16,715 |
| Issuances of treasury shares | – | 6 | 118 | – | – | 124 | – | 124 |
| Balances as at December 31, 2016 | P2,911,886 | P1,627,911 | (P1,594,631) | P330,552 | P3,725,264 | P7,000,982 | P380,905 | P7,381,887 |

See accompanying Notes to Consolidated Financial Statements.



ROXAS AND COMPANY, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CASH FLOWS***Amounts in Thousands***FOR THE THREE MONTHS ENDED DECEMBER 31, 2016 AND
THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

| | December 31, 2016 | September 30, | September 30, |
|--|------------------------------|--------------------|--------------------|
| | (Three Months, Note 1) | 2016 (One Year) | 2015 (One Year) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income (loss) before income tax: | (P)108,230 | (P90,581) | P144,465 |
| Adjustments for: | | | |
| Equity in net loss (earnings) of associates and a joint venture (Note 11) | 26,532 | (17,207) | (3,823) |
| Provision for impairment losses on receivables (Note 8) | 17,298 | 15,163 | – |
| Interest expense (Notes 14 and 15) | 9,504 | 30,751 | 17,871 |
| Interest income (Notes 7, 8 and 19) | (1,696) | (9,769) | (11,736) |
| Depreciation and amortization (Notes 12 and 20) | 1,850 | 5,364 | 2,471 |
| Unrealized fair value gain on investment properties (Note 13) | – | (75,390) | (55,319) |
| Gain (loss) on deemed disposal of an associate (Note 11) | – | 73,679 | (84,774) |
| Gain from step up acquisition of a subsidiary (Note 6) | – | (6,949) | – |
| Provision for impairment loss on real estate for sale and development (Note 9) | – | 925 | – |
| Gain on sale of property and equipment (Note 12) | – | – | (3,500) |
| Movement in retirement benefits (Note 17) | 1,631 | 6,376 | 5,140 |
| Operating income (loss) before working capital changes | (53,111) | (67,638) | 10,795 |
| Decrease (increase) in: | | | |
| Trade and other receivables | 35,546 | (145,472) | (136,840) |
| Real estate for sale and development | (52,640) | (104,629) | (59,172) |
| Other current assets | (89,241) | 119,525 | (10,745) |
| Other noncurrent assets | 29,737 | (210,384) | – |
| Increase in trade and other payables | 128,641 | 133,596 | 33,979 |
| Net cash generated from (used for) operations | (1,068) | (275,002) | (161,983) |
| Interest received | 1,696 | 9,769 | 11,736 |
| Income taxes, paid including creditable withholding taxes | (2,257) | (13,736) | (17,015) |
| Net cash used in operating activities | (1,629) | (278,969) | (167,262) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Additions to: | | | |
| Property and equipment (Note 12) | (518,567) | (650,991) | (58,091) |
| Investments in associates and a joint venture (Note 11) | – | (86,000) | (301,235) |
| Deduction from (addition to) other noncurrent assets (Note 10) | 2,596 | (1,207) | – |
| Acquisition of subsidiaries, net of cash acquired (Note 6) | – | 27,776 | – |
| Dividends received (Note 11) | – | – | 81,581 |
| Net cash used in investing activities | (515,971) | (710,422) | (277,745) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net availments (payments) of short-term borrowings (Note 14) | 171,926 | 397,696 | 577,300 |
| Proceeds from availment of long-term borrowings (Note 15) | 336,167 | 555,000 | – |
| Payments of: | | | |
| Interest (including capitalized borrowing costs) | (26,289) | (30,751) | (17,871) |
| Dividends (Note 18) | (4,444) | (19,617) | (38,202) |
| Long-term borrowings (Note 15) | – | (80,122) | (132,711) |
| (Forward) | | | |



| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|--|------------------------------|-----------------------|-----------------------|
| | (Three Months, Note 1) | (One Year) | (One Year) |
| Subscriptions to subsidiaries' non-controlling interests (Note 6) | P- | P88,000 | P- |
| Proceeds from issuances of treasury shares (Note 18) | - | - | 100,000 |
| Net cash provided by financing activities | 477,360 | 910,206 | 488,516 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD | (40,240) | (79,185) | 43,509 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 104,115 | 183,300 | 139,791 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | P63,875 | P104,115 | P183,300 |
| NONCASH FINANCIAL INFORMATION | | | |
| Reclassification of investment in a joint venture as a subsidiary | P- | (P274,282) | P- |
| Issuances of treasury shares | 124 | 3,905 | - |

See accompanying Notes to Consolidated Financial Statements.



ROXAS AND COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information

Roxas and Company, Inc. (the Parent Company), formerly CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years until October 7, 2018.

On November 29, 1948, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE) with a stock symbol RCI.

The Parent Company is owned by various individual shareholders and domestic corporations, namely: SPCI Holdings, Inc. and Pesan Holdings, Inc., among others. As at December 31, 2016 and September 30, 2016, the Parent Company has 3,350 and 3,352 shareholders, respectively.

On November 29, 2013, the Parent Company sold its 31% equity interest in Roxas Holdings, Inc. (RHI) to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014. On October 1, 2014, the Parent Company acquired additional 5.0 million shares of RHI increasing its equity interest in RHI to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 11). Also, on the same date, the Parent Company acquired additional 33.1 million shares of RHI from various shareholders (see Note 11). As at September 30, 2015, the Parent Company has 31% equity interest in RHI.

On May 31, 2016, the equity interest of the Parent Company was further diluted from 31% to 25%, as a result of the exercise of Stock Rights Option (SRO) by other stockholders of RHI (see Note 11).

The corporate office of the Parent Company is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

Change in Accounting Period

On December 18, 2015, the Board of Directors (BOD) approved the amendment of the by-laws of the Parent Company and Roxaco Land Corporation (RLC), changing the accounting period of the Parent Company and RLC from fiscal year ending September 30 to calendar year ending December 31 of each year. The change in accounting period of the Parent Company and RLC was approved by the SEC on May 26, 2016 and March 15, 2016, respectively.

The amounts presented for the period October 1, 2016 to December 31, 2016 in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows and the related notes to consolidated financial statements are for three months, and accordingly, are not comparable with those in the statements for the years ended September 30, 2016 and 2015.



Approval of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Parent Company and its Subsidiaries (collectively referred to as the Group) as at and for the three months period ended December 31, 2016 have been approved and authorized for issue by the BOD on April 6, 2017.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land properties under property and equipment and investment properties that are stated at fair value. The consolidated financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Group. All amounts are rounded to the nearest thousands, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Summary of Changes in Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting October 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- Amendments to 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 to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- *Annual Improvements to PFRSs (2012-2014 cycle)*
 - PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
 - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
 - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue*
 - PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements of the Group. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.



4. Summary of Significant Accounting and Financial Reporting Policies

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

Basis of Consolidation

The consolidated financial statements of the Group include the financial statements of the Parent Company and following subsidiaries (all incorporated and domiciled in the Philippines) as of December 31, 2016 and September 30, 2016 and 2015 of each year:

| | Percentage of Ownership | | | Description of Business |
|--|-------------------------|----------------------------|--------|---------------------------------------|
| | December 31, 2016 | September 30, 2016 2015 | | |
| RLC | 100.00 | 100.00 | 100.00 | Real estate |
| Anya Hospitality Corporation (AHC) | 75.33 | 75.33 | 75.33 | Hotel and resort management |
| Anya Hotels and Resorts Corporation (AHRC) | 100.00 | 100.00 | 100.00 | Real Estate |
| AHR1 Hotels & Resorts Corporation (A1HRC) | 100.00 | 100.00 | 100.00 | Real estate |
| Roxaco-Vanguard Hotels Corporation (RVHC) (see Note 11) | 51.00 | 51.00 | – | Hotel and leisure |
| United Ventures Corporation (UVC) | 100.00 | 100.00 | 100.00 | Warehouse leasing |
| Nasugbu Feeds Corporation (NAFECOR) * | 100.00 | 100.00 | 100.00 | Manufacturing |
| SAMG Memorial Management & Services Inc. (SMMSI) | 100.00 | 100.00 | 100.00 | Funeral and related services |
| Roxas Green Energy Corporation (RGEC) | 100.00 | 100.00 | 100.00 | Generation and distribution of energy |
| Roxas Sigma Agriventures, Inc. (RSAI) | 81.13 | 81.13 | – | Manufacturing |

* On April 10, 2008, its BOD approved the cessation of operations, closure of business and dissolution of NAFECOR. The application for dissolution is still pending with the SEC.

The Parent Company or its subsidiaries controls an investee if and only if the following criteria are met:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Parent Company or its subsidiaries have less than a majority of the voting or similar rights of an investee, the Parent Company or its subsidiaries consider all relevant facts and circumstances in assessing whether they have power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company or its subsidiaries voting rights and potential voting rights

The Parent Company or its subsidiaries reassess whether or not they control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company or its subsidiaries obtain control over the subsidiary and ceases when it ceases to have control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date control is lost.



Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Parent Company loses control of a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

Noncontrolling interest represents the interest in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separate from the equity attributable to the parent.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are recognized as expense. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured. Subsequent settlement is accounted for within equity. In instance where the contingent consideration does not fall within the scope of PAS 39, it is measured in accordance with the appropriate PFRS.

Common Control Transactions

Where there are business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts such business combinations under the purchase method of accounting, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and



the involvement of parties other than the combining entities such as the noncontrolling interest, are being considered.

In cases where the business combination has no substance, the Parent Company accounts for the transaction similar to a pooling of interests. The assets and liabilities of the acquired entities and that of the Group are reflected at their carrying values. The difference in the amount recognized and the fair value of the consideration given, is accounted for as an equity transaction (i.e., as either a contribution or distribution of equity). Further, when a subsidiary is transferred in a common control transaction, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

Comparative balances are restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest year presented and as if the entities have always been combined.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative exchange differences arising from the translation and goodwill is recognized in profit or loss.

The goodwill on investments in associates is included in the carrying amount of the related investments.

Financial Instruments

Initial Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the trade date, (i.e., the date that the Group commits to purchase the asset). Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price



or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

“Day 1 Difference”

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Group recognizes the difference between the transaction price and fair value (a day 1 difference) in profit or loss unless it qualifies for recognition as some other type of asset. For each transaction, the Group determines the appropriate method of recognizing a day 1 difference.

Classification

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are recognized as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax.

The Group classifies its financial assets in the following categories: FVPL financial assets, held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. The Group classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities. The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market. The Group determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group does not have financial instruments classified as financial assets or liabilities at FVPL and HTM investments as at December 31, 2016 and September 30, 2016.

Loans and Receivables

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of “Interest income” in profit or loss using effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of “Interest income” in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Classified as loans and receivables are the cash in banks, cash equivalents and trade and other receivables as at December 31, 2016 and September 30, 2016 (see Notes 7, 8 and 19).



Cash equivalents include short-term highly liquid interest-bearing fund placements with original maturities of three months or less from the date of acquisition and subject to insignificant risk in fluctuations in value.

Trade receivables with average credit terms of 30 days are recognized and carried at original invoice amount less any allowance for impairment.

AFS Financial Assets

AFS financial assets are non-derivative financial assets that are either designated as such or do not qualify to be classified as financial assets designated as at FVPL, loans and receivables and HTM investments. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value, with unrealized gains and losses being recognized in other comprehensive income or loss until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is recognized in profit or loss. Accounting for the movement in equity is presented in the consolidated statements of changes in equity.

Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Interest earned or paid on the investments is recognized as interest income or expense using the effective interest rate method. Dividends earned on investments are recognized in profit or loss when the right of payment has been established.

These financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from the end of reporting year.

AFS financial assets consisting of unlisted shares of stock, which are unquoted and have no reliable sources of market value, are carried at cost, net of any impairment losses.

Classified as AFS financial assets are the unquoted equity investments as at December 31, 2016 and September 30, 2016 (see Note 10).

Other Financial Liabilities

Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVPL upon the inception of the liability. These include liabilities arising from operating (e.g., trade and other payables) and financing (e.g., short and long-term borrowings) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the term of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting year.

Trade and other payables are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, which is normally equal to nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of



amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

Classified as other financial liabilities are trade and other payables (excluding statutory liabilities) and short-term and long-term borrowings as at December 31, 2016 and September 30, 2016 (see Notes 14, 15, 16 and 19).

Impairment of Financial Assets

The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

a. Financial assets carried at amortized cost

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. 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 recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

b. Financial assets carried at cost

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



c. AFS financial assets

For equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through income. Increases in fair value after impairment are recognized directly in the other comprehensive income and presented in the consolidated statement of changes in equity.

Derecognition of Financial Assets and Liabilities

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 a 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 benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and benefits 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, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

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



Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

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 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 market 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 year.

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 in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes to the consolidated financial statements:

- Note 5, Significant Judgments, Accounting Estimates and Assumptions
- Note 12, Property and Equipment
- Note 13, Investment Properties
- Note 26, Financial Instruments

Real Estate for Sale and Development

Real estate for sale and development consists of developed real estate properties for sale, raw land and land improvements.

Developed real estate properties for sale, raw land and land improvements are carried at the lower of aggregate cost and net realizable value (NRV). Costs include costs incurred for development and improvement of the properties and qualifying borrowing costs. NRV is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.



Other Current Assets

This account consists of creditable withholding taxes (CWT), input value-added tax (VAT) and prepaid expenses. Other current assets are carried at face value.

CWT represents the total accumulated tax credits for current and prior year's excess credits that will be applied against any income tax due.

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

Prepaid expenses are classified as current asset when the cost of goods or services related to the prepaid expenses is expected to be incurred within one year. Otherwise, prepaid expenses are classified as noncurrent assets.

Investments in Associates

Investments in associates are recognized initially at cost and subsequently accounted for using the equity method.

An associate is an entity in which the Group has significant influence but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting rights of the entity.

The Group's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates. Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The financial statements of the associates are prepared for the same reporting year of the Parent Company. Adjustments, where necessary, are made to ensure consistency with the policies adopted by the Group.

The Group determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount.

Joint Arrangements

Investment in a Joint Venture

RLC has interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.



Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity. Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the interest is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the interest and recoverable amount and recognizes the difference in profit or loss.

Investment in a Joint Operation

RLC has investments in a joint operation, which pertains to agreements with joint venture partners, VJ Properties, Inc. (VJPI) and Marilo Realty Development Corporation and Landco Pacific Corporation (LPC), for the development of various projects. A joint operation is when a joint arrangement is not structured through a separate vehicle whereby parties have rights to the assets and obligations for the liabilities related to the joint arrangement. Assets, liabilities, revenues and expenses are recognized in relation to its interest in the joint operation.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value, except for land, which is stated at revalued amount less any impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset, including borrowing costs on qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year incurred.

Construction in progress, which represents properties under construction, is stated at cost and depreciated only from such time as the relevant assets are completed and put into intended operational use. Upon completion, these properties are reclassified to the appropriate property and equipment account.

The net appraisal increment resulting from the revaluation of land is presented as "Revaluation increment on land" under other equity reserves in the consolidated statement of financial position and consolidated statement of changes in equity. Increases in the carrying amount arising on revaluation of land are recognized in the consolidated statement of comprehensive income and credited to other equity reserves in the consolidated statement of changes in equity, net of related deferred tax effect. Any resulting decrease is directly charged against the related revaluation increment on land to the extent that the decrease does not exceed the amount of the revaluation in respect of the same asset. All other decreases are charged to profit or loss. Valuations are performed frequently to ensure that the fair value of land does not differ significantly from its carrying amount.

The portion of appraisal increase on land, net of related deferred tax effect, realized upon disposal of the property is transferred to unrestricted retained earnings.



Depreciation and amortization on depreciable property and equipment are calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

| <u>Asset Category</u> | <u>Number of Years</u> |
|--|------------------------|
| Buildings | 40 |
| Building improvements | 5 |
| Machinery and equipment | 5 |
| Transportation equipment | 3 to 6 |
| Office furniture, fixtures and equipment | 3 to 10 |

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

Major renovations that qualified for capitalization are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

Fully depreciated property and equipment are retained in the books until these are no longer in use.

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its retirement or disposal, the cost and accumulated depreciation, amortization and impairment are derecognized. Gains and losses on retirement or disposal are determined by comparing the proceeds with carrying amount of the asset and are recognized in profit or loss.

Investment Properties

Investment properties comprise land that are held either to earn rentals or for capital appreciation or both and that are not occupied by the entities in the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in fair value of investment property are included in profit or loss in the year in which these arise.

The fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's-length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances such as typical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale. The fair value of investment property should reflect market conditions at the end of the reporting year.

Transfers are made to investment property when, and only when, there is change in use, evidenced by cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.



Derecognition of an investment property will be triggered by a change in use or by sale or disposal. Gain or loss arising on disposal is calculated as the difference between any disposal proceeds and the carrying amount of the related asset, and is recognized in profit or loss.

Impairment of Nonfinancial Assets

The carrying amounts of investments in associates and a joint venture, property and equipment carried at cost and other nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognized in profit or loss. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining useful lives.

Equity

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital

Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Treasury Stock

Where any entity of the Group purchases the Parent Company's capital (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effect, is included in equity attributable to the Parent Company's equity holders.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Appropriated or restricted retained earnings represent that portion, which has been appropriated or restricted and are not available for any dividend declaration. Unappropriated or unrestricted retained earnings represent that portion, which can be declared as dividends to shareholders.

Dividend Distribution

Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from equity in the period in which the dividends are approved by the Parent Company's BOD. Dividends that are approved after the reporting year are dealt with as event after the reporting year.



Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS. These include revaluation increment on land, share in changes in fair value of AFS financial assets of an associate and remeasurement loss on retirement liability, which are presented as part of “Other Equity Reserves” account in the consolidated statement of changes in equity.

Revenue Recognition

Revenue comprises the fair value of the sale of goods and services in the ordinary course of the Group’s operations. Revenue is shown net of output VAT, returns and discounts.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Group’s activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Sale of Real Estate

The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the contract price is demonstrated by the buyer’s commitment to pay, which is supported by the buyer’s initial and continuous investments that motivates the buyer to honor its obligation. Collectability is also assessed by considering factors such as collections, credit standing of the buyer, age and location of the property.

Revenue is recognized when the collectability of the sales price is reasonably assured and when the risk and benefits over the assets have been transferred, which is usually when the Group collects at least 10% or more of the total contract price.

Revenue from sales of raw land is accounted for using the full accrual method.

Revenue from sales of uncompleted real estate projects is accounted for using the percentage of completion (POC) method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the POC method is used to recognize income from sales of projects where the Group has material obligations 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 stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), 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.

Any excess of collections over the recognized receivables are included in the “Deferred income” account presented under “Trade and other payables” account in the consolidated statement of financial position.

If any of the criteria under the full accrual or POC 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 presented under the “Customers’ deposits” account presented under “Trade and other payables” account in the consolidated statement of financial position.

For income tax purposes, full recognition of sale of real estate is applied when more than 25% of the sales price has been collected in the year of sale. Otherwise, the installment method is applied.



Hotel revenue

Hotel revenue from room rentals, food and beverage sales, and other ancillary services are recognized when the services are rendered. Revenue from other ancillary services include, among others, business center and car rental, laundry service, telephone service and health club services.

Rent income

Rent income from operating lease is recognized using the straight-line method over the term of the lease.

Interest Income

Interest income is recognized on a time proportion basis using the effective interest method.

Other Income

Other income is recognized when services are rendered and when goods are received.

Cost and Expense Recognition

Cost and expenses are recognized in profit or loss upon receipts of goods, utilization of services, or as the date the cost and expenses are incurred.

Cost of Real Estate Sales

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of units 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 Group's in-house technical staff.

Contract costs include all direct materials, labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions, estimated probability, including those arising from contract penalty provisions, and final contract settlements, which may result in revisions to estimated costs and gross profit, are recognized in the year in which the changes are determined.

Cost of Hotel Sales and Services

Cost of sales and services include expenses incurred by the Company for the generation of revenue from food and beverage sales, room rentals and other hotel income. Cost of sales and services are expensed as incurred.

Selling, General and Administrative Expenses

Selling expenses are costs incurred to sell or distribute goods. General and administrative expenses are costs of administering the business such as salaries and wages of administrative department, professional fees and rental and utilities and general office expenses. These costs are expensed when incurred.

Employee Benefits

Short-Term Employee Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Short-term employee benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses.



Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits

The Parent Company and RLC have an individual and separate defined benefit retirement plans. A defined benefit plan is a retirement plan that defines an amount of retirement benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plan is generally funded through payments to trustee-administered funds as determined by periodic actuarial calculations.

The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The defined benefit asset or liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets on which the obligations are to be settled directly. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of reporting period are discounted to present value.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably. Other borrowing costs are recognized as expense when incurred.



Capitalization of borrowing costs is suspended during extended periods in which the Group suspends active development of a qualifying asset and ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use is complete. An asset is normally ready for its intended use when the physical construction of the asset is complete even though routine administrative work might still continue.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is substantial change to the asset.

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

Leases where a significant portion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Foreign Currency-Denominated Transactions

Items included in the consolidated financial statements of each of the Group's entities are measured using the functional currency.

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting year. Foreign exchange differences are credited or charged directly to profit or loss.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred Tax

Deferred tax is provided on all temporary differences at the end of the reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. However, deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.



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

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting year.

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

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

Value-added Tax (VAT)

Revenue, expenses and assets are recognized, net of the amount of VAT, except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” account or “Trade and other payables” account, respectively, in the consolidated statement of financial position.

Related Parties Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.



Earnings (Loss) per Share attributable to the Equity Holders of the Parent Company

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

Diluted earnings (loss) per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into common shares.

The Parent Company has no dilutive potential common shares.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment. As a result of the deconsolidation of RHI, reportable operating segments primarily consist of the real estate business, hotel and other segments, which are not reported separately (see Note 27).

Provisions

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 assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingencies

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

Events after the Reporting Year

Post year-end events that provide additional information about the Group's financial position at the end of the reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on



its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses* 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 explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply amendments retrospectively. Early application of the amendments is permitted.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions* address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4* address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.



- PFRS 15, *Revenue from Contracts with Customers* establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.
- PFRS 9, *Financial Instruments* reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*) clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property* clarifies when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The Group is currently assessing the impact of adopting this standard.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* clarifies that in determining the spot 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 relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases* will no longer require lessees to classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments, estimates and assumptions are continuously 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 believes the following represent a summary of significant judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management exercised judgment on the following items, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of operating segments

Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Determination of the classification of the lease arrangements

Management exercises judgment in determining whether substantially all the significant risks and benefits of ownership over the ownership of the leased assets are retained by the Group. Lease contracts which the Group retains substantially all the risks and benefits incidental to ownership of the leased item are accounted for as operating leases. Otherwise, the leases are considered as finance leases.

The Group, as a lessor, has existing property leases where it has determined that it retains all the significant risks and benefits of ownership over the leased properties. Accordingly, the lease agreements are accounted for as operating leases. Rent income amounted to ₱0.9 million and ₱1.1 million for the years ended September 30, 2016 and 2015, respectively (nil for the three months ended December 31, 2016) (see Note 22).



The Group, as a lessee, had various property leases where it has determined that the significant risks and benefits related to those properties are retained with the lessors. Accordingly, the lease agreements were accounted for as operating leases.

Determination of the classification of properties

Management determines the classification of a property depending on its use and eventual realization of the asset. Further, the significant portion of the Group's parcels of land have been subjected to the revised Notice of Coverage (NOC) issued by Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Law (CARL). The Group has a pending petition for Certiorari to the Court of Tax Appeals, hence, management continues to recognize these parcels of land under CARL as part of the Group's investment properties (see Note 25).

Determination and assessment of the revenue recognition

Selecting the appropriate revenue recognition method for a particular real estate transaction requires certain judgments based on the following, among others:

- *Buyer's continuing commitment to the sales agreement*
Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that gives the buyer a sufficient stake in the property that risk of loss through default motivates the buyer to honor the obligation. Collectability is also assessed by considering factors such as the credit standing of the buyer, age, and location of the property. In determining whether the sales prices are collectible, the Group considers that the initial payments from the buyer of about 10% would demonstrate the buyer's commitment to pay.
- *Stage of completion of the project*
The Group commences the recognition of revenue from sale of uncompleted projects when the construction is beyond the preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), as determined by the project engineers.

Determination of provisions and evaluation of 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 pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable (see Note 25).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal years are discussed below.



Revenue and cost recognition

The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amount of revenue and cost. The Group's revenue from real estate properties based on the POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Estimation of POC of real estate projects

The Group estimates the POC of ongoing projects for purposes of accounting for the estimated costs of development as well as revenue to be recognized. Actual costs of development could differ from these estimates. Such estimates will be adjusted accordingly when the effects become reasonably determinable. The POC is based on the technical evaluation of the independent project engineer as well as management's monitoring of the costs, progress and improvements of the projects. Sales of real estate properties amounted to ₱37.5 million for the three months ended December 31, 2016, and ₱194.0 million and ₱250.4 million for the years ended September 30, 2016 and 2015, respectively. Cost of real estate sales amounted to ₱24.3 million for the three months ended December 31, 2016, and ₱126.0 million and ₱153.0 million for the years ended September 30, 2016 and 2015, respectively.

Estimation of impairment losses of receivables

Allowance for impairment losses on trade and other receivables and due from related parties is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the past collection experience and other factors that may affect collectability and the fact that title is not yet transferred until contract price is fully paid. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. The allowance is established by charging against income in the form of provision for impairment losses on trade and other receivables. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective assessment of impairment is made on a portfolio or group basis after performing a regular review of age and status of the portfolio or group of accounts relative to historical collections, changes in payment terms, and other factors that may affect ability to collect payments.

As at December 31, 2016 and September 30, 2016, the carrying amount of the trade and other receivables (including noncurrent portion of installment contract receivables) amounted to ₱673.1 million and ₱691.4 million, respectively (see Note 8). Allowance for impairment losses of receivables amounted to ₱45.9 million and ₱28.6 million as at December 31, 2016 and September 30, 2016, respectively (see Note 8).

Determination of NRV of real estate for sale and development

The NRV of real estate for sale and development are based on the most reliable evidence available at the time the estimates of the amount that the real estate for sale and development are expected to be realized and/or sold. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting year to the extent that such events confirm conditions at the end of the reporting year. A new assessment of NRV is made in each subsequent period. When the circumstances that previously caused real estate for sale and development to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV



because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amount of real estate for sale and development amounted to ₱665.0 million and ₱612.3 million as at December 31, 2016 and September 30, 2016, respectively (see Note 9). Provision for impairment loss on real estate for sale and development amounted to ₱0.9 million for the year ended September 30, 2016 (see Note 9). Allowance for impairment loss amounted to ₱2.3 million as at September 30, 2015 (see Note 9).

Estimation of useful lives of property and equipment

The estimated useful life of each of the Group's items of property and equipment is estimated based on the year over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by the changes in the factors in the foregoing. A change in the estimated useful life of any item of property and equipment would impact the recorded operating expense and noncurrent assets.

There were no changes in the estimated useful lives of property and equipment for the three months ended December 31, 2016 and for the years ended September 30, 2016 and 2015.

The carrying value of the depreciable property and equipment as at December 31, 2016 and September 30, 2016 amounted to ₱2,056.8 million and ₱1,557.4 million, respectively (see Note 12).

Determination of fair value of the investment properties and land properties under property and equipment

The Group accounts for its investment properties at fair value and its land properties under property and equipment at revalued amount. The fair value of the investment properties and land under property and equipment were determined by professional qualified independent appraisers. Investment properties are valued using generally acceptable valuation techniques and methods and estimates based on local market conditions. The land properties under property and equipment are carried at revalued amount, which approximates its fair value at the date of the revaluation. The fair value was arrived at using the Market Data Approach for land using gathered available market evidences. The fair value was based on market value. In arriving at the market value, it is assumed that any transaction is based on cash or its equivalent consideration. Revaluations are made on a regular basis to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the reporting period.

Investment properties, including land properties that are subjected to the Comprehensive Agrarian Reform Law (CARL) with total land area of approximately 2,300.6 hectares and total value of ₱4,316.3 million as at December 31, 2016 and September 30, 2016, are stated at fair value amounting to ₱4,570.8 million as at December 31, 2016 and September 30, 2016 (see Note 13). For the three months ended December 31, 2016, no fair value adjustment was recognized since the latest appraisal report used in determining fair value of the investment property was made in September 2016. Management determines that there are no significant changes/development in the covered properties during the three months ended December 31, 2016 that would significantly impact the market value of the properties.



Land carried at revalued amounts as at December 31, 2016 and September 30, 2016 amounted to ₱551.2 million and ₱527.4 million, respectively (see Note 12). The resulting increase in the valuation of these assets is presented under “Appraisal increase on land” in the consolidated other comprehensive income and in the consolidated statement of changes in equity.

Assessment of impairment of nonfinancial assets

The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset’s fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets listed below, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment changes.

Nonfinancial assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenue or other external indicators) are as follows:

| | December 31, 2016 | September 30, 2016 |
|---|------------------------------|-----------------------|
| Investments in associates (Note 11) | ₱2,233,224 | ₱2,259,756 |
| Property and equipment, excluding land carried at revalued amount (Note 12) | 2,056,752 | 1,557,449 |

The Group’s management assessed that the volatility in the share price of RHI and the net loss in the most recent reporting periods are indicators of impairment. As of December 31, 2016 and September 30, 2016, no impairment loss was recognized on investment in RHI as its carrying value is recoverable based on management’s value in use calculation.

Determination of retirement liability

The determination of the obligation and cost for retirement benefits is dependent on the selection of certain assumptions determined by management and used by the actuary in calculating such amounts. Those assumptions are described in Note 17 and include, among others, discount rates and rates of future salary increase. Actual results that differ from the Group’s assumptions are accumulated and amortized over future years and therefore, generally affect the recognized expense and recorded obligation in such future years.



Retirement liability as at December 31, 2016 and September 30, 2016 amounted to ₱19.7 million and ₱18.0 million, respectively (see Note 17). Retirement benefits amounted to ₱1.6 million for the three months ended December 31, 2016, and ₱6.4 million and ₱5.2 million for the years ended September 30, 2016 and 2015, respectively (see Note 17).

Assessment of realizability of deferred tax assets

The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Total deferred tax assets amounted to ₱58.8 million and ₱40.8 million as at December 31, 2016 and September 30, 2016, respectively (see Note 23).

Deferred tax assets were not recognized on deductible temporary differences and carryforward benefits of NOLCO and MCIT with income tax effect amounting to ₱61.9 million and ₱55.7 million as at December 31, 2016 and September 30, 2016, respectively (see Note 23). Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

6. Acquisition of Subsidiaries

Acquisition of RSAI

On April 8, 2016, the Parent Company subscribed to 2,150,000 shares of RSAI representing 81.13% ownership interest from RSAI's increase in capital stock and paid a total consideration of ₱101.0 million. As a result, the Parent Company gained control over RSAI.

RSAI is an existing entity incorporated in February 16, 2015, which has not yet started commercial operations as at March 29, 2017.

The fair value of assets acquired and liabilities assumed at the date of acquisition are as follows:

| | |
|-----------------------------|----------|
| Cash | ₱22,832 |
| Trade and other receivables | 91,001 |
| Other current assets | 522 |
| Property and equipment: | |
| At appraised values | 10,000 |
| At cost | 4,266 |
| Trade and other payables | (5,684) |
| | <hr/> |
| | ₱122,937 |

The non-controlling interest in RSAI amounted to ₱21.9 million, which was measured based on proportionate value of net assets of RSAI as at the date of acquisition.

Subsequently, in May 2016, RSAI collected subscriptions to the capital stock of the non-controlling interest amounting to ₱9.8 million.

The net loss of RSAI from the acquisition date until September 30, 2016 amounting to ₱7.0 million was included in the Group's results of operations for the year ended September 30, 2016.

Step Up Acquisition of RVHC

On April 13, 2016 (date of acquisition), RLC made an additional investment of ₱61.0 million that increased the equity interest of the Group in RVHC from 50% to 51%. On the same date, certain



provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RVHC from two to three directors out of the five directors to obtain control over RVHC. Consequently, RVHC became a subsidiary from said date, resulting to a gain from step up acquisition amounting to ₱6.9 million.

The fair values of the identified assets and liabilities of RVHC as at the date of acquisition are as follows:

| | |
|---|-----------|
| Cash | ₱96,160 |
| Trade and other receivables | 133,176 |
| Other current assets | 164,485 |
| Property and equipment: | |
| At cost | 847,504 |
| At appraised values | 512,707 |
| Other noncurrent assets | 17,641 |
| Trade and other payables | (40,545) |
| Short-term borrowings | (750,000) |
| Long-term borrowings | (410,000) |
| Deferred tax liability | (19,720) |
| Net assets | 551,408 |
| Percentage share of net assets acquired | 51% |
| Net assets acquired | 281,218 |
| Total consideration | (274,269) |
| Gain from up step acquisition | ₱6,949 |

The non-controlling interest in RVHC amounted to ₱270.9 million, which was measured based on proportionate fair value of net assets of RVHC as at the date of acquisition.

Subsequently, RLC and the non-controlling interest made additional investments amounting to ₱92.0 million and ₱88.0 million, respectively, maintaining the same equity interest in RVHC (see Note 11).

The net loss of RVHC from the acquisition date until September 30, 2016 amounting to ₱7.0 million was included in the Group's results of operations for the year ended September 30, 2016.

Incorporation of RGEC

On February 16, 2015, RGEC, an entity that will be engaged in the generation and distribution of solar power, was incorporated with authorized capital stock of 500.0 million at ₱1.00 par value a share, of which ₱125.0 million was subscribed and paid by the Parent Company in December 2015.

As at December 31, 2016 and September 30, 2016, RGEC is still in construction phase. In May 2016, RGEC received a Cease and Desist Order (CDO) issued by the Department of Agrarian Reform (DAR) not to undertake further development on the land used for the construction of solar power. As at April 6, 2017, RGEC filed a request to lift the CDO and is now awaiting the response from the DAR.



7. Cash and Cash Equivalents

This account consists of:

| | December 31, 2016 | September 30, 2016 |
|------------------|------------------------------|-----------------------|
| Cash on hand | ₱393 | ₱318 |
| Cash in banks | 59,540 | 92,431 |
| Cash equivalents | 3,942 | 11,366 |
| | ₱63,875 | ₱104,115 |

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn an average interest of 0.63% for the three months ended December 31, 2016, and 0.4% to 1.25% and 0.4% to 1% for the years ended September 30, 2016 and 2015, respectively.

Total interest income earned from cash in banks amounted to ₱0.06 million for the three months ended December 31, 2016, and ₱0.7 million and ₱0.07 million for the years ended September 30, 2016 and 2015, respectively.

8. Trade and Other Receivables

This account consists of:

| | December 31, 2016 | September 30, 2016 |
|---------------------------------|------------------------------|-----------------------|
| Trade | ₱264,995 | ₱297,296 |
| Advances to: | | |
| Contractors | 334,563 | 306,383 |
| Supplier | 12,742 | 5,376 |
| Due from: | | |
| Related parties (Note 19) | 60,774 | 74,642 |
| Employees (Note 19) | 6,234 | 7,834 |
| Dividends | 4,624 | 4,624 |
| Others | 35,037 | 23,764 |
| | 718,969 | 719,919 |
| Allowance for impairment losses | (45,864) | (28,566) |
| | ₱673,105 | ₱691,353 |

Breakdown as to current and noncurrent portion follows:

| | December 31, 2016 | September 30, 2016 |
|------------|------------------------------|-----------------------|
| Current | ₱606,526 | ₱555,609 |
| Noncurrent | 66,579 | 135,744 |
| | ₱673,105 | ₱691,353 |

Trade receivables mainly represent customers' accounts arising from the sale of real estate properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 14% to 18% depending on the terms of the sales contract.



Total interest income on trade and other receivables amounted to P1.6 million for the three months ended December 31, 2016, and P7.3 million and P7.6 million for the years ended September 30, 2016 and 2015, respectively (see Note 7).

Cash received from the sale of real estate properties, that does not meet the revenue recognition criteria set out in Note 4 are recognized as “Customers’ deposits,” which is presented as part of “Trade and other payables” account in the consolidated statements of financial position.

Breakdown as to current and noncurrent portion of the installment contract receivables recorded under “Trade receivables” account follows:

| | December 31, 2016 | September 30, 2016 |
|------------|------------------------------|-----------------------|
| Current | P186,163 | P241,711 |
| Noncurrent | 66,579 | 44,050 |
| | P252,743 | P285,761 |

Advances to contractors pertain to advances made for services to be rendered.

Advances to supplier pertain to advances made for services to be rendered, which are refundable upon noncompliance of the agreed terms.

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation.

Other receivables, which are normally settled within one year, pertains to nontrade receivables.

Movements of allowance for impairment losses of receivables follow:

| | Trade | Due from Related Parties | Others | Total |
|-------------------------------------|---------------|--------------------------------|----------------|----------------|
| Balance as at September 30, 2015 | P762 | P12,641 | P- | P13,403 |
| Provisions for the year (Note 20) | 213 | - | 14,950 | 15,163 |
| Balance as at September 30, 2016 | 975 | 12,641 | 14,950 | 28,566 |
| Provisions for the period (Note 20) | 5,130 | - | 12,168 | 17,298 |
| Balance as at December 31, 2016 | P6,105 | P12,641 | P27,118 | P45,864 |

9. Real Estate for Sale and Development

This account consists of:

| | December 31, 2016 | September 30, 2016 |
|---------------------------------|------------------------------|-----------------------|
| Raw land and land improvements | P236,488 | P236,488 |
| Real estate properties for sale | 428,460 | 375,820 |
| | P664,948 | P612,308 |

Movements of allowance for impairment loss for the three months ended December 31, 2016 is as follows:

| | |
|--------------------------------|-----------|
| Balance at beginning of period | P2,323 |
| Provision | 925 |
| Write-off | (3,248) |
| Balance at end of period | P- |



The movements in real estate properties for sale follows:

| | December 31, 2016 | September 30, 2016 |
|---|------------------------------|-----------------------|
| | (Three Months) | (One Year) |
| Balances at beginning of year | ₱375,820 | ₱272,116 |
| Construction/development costs incurred | 71,032 | 217,509 |
| Disposals (cost of real estate sales) | (21,071) | (125,967) |
| Borrowing costs capitalized (Note 15) | 2,679 | 12,162 |
| | ₱428,460 | ₱375,820 |

Cost of real estate sales amounted to ₱21.1 million for the three months ended December 31, 2016, and ₱126.0 million and ₱152.9 million for the years ended September 30, 2016 and 2015, respectively.

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱2.7 million for the three months ended December 31, 2016, and ₱12.2 million and ₱7.6 million for the years ended September 2016 and 2015, respectively, were capitalized using a weighted average rate of 3.63% for the three months ended December 31, 2016, and 1.48% and 2.06% for the years ended September 2016 and 2015, respectively (see Note 15).

Certain properties for sale and development owned by RLC amounting to ₱180.9 million as at December 31, 2016 and September 30, 2016 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 15).

10. Other Assets

Other current assets account consists of:

| | December 31, 2016 | September 30, 2016 |
|--|------------------------------|-----------------------|
| Input VAT | ₱149,697 | ₱52,064 |
| Creditable withholding taxes - net | 55,755 | 54,080 |
| Prepaid expenses | 15,990 | 24,609 |
| AFS financial assets - net of allowance for impairment loss | 7,534 | 7,534 |
| Others | 7,023 | 6,796 |
| | ₱235,999 | ₱145,083 |

Input VAT mainly arises from construction of real estate for sale and purchases of goods and services for operations.

Prepaid expenses pertain to prepaid rent, insurance and taxes.

As at December 31, 2016 and September 30, 2016, allowance for impairment loss on creditable withholding taxes and AFS financial assets amounted to ₱5.6 million. No provision for impairment losses was recognized for the three months ended December 31, 2016 and the years ended September 30, 2016 and 2015.



Other noncurrent assets account consists of:

| | December 31, 2016 | September 30, 2016 |
|------------------|------------------------------|-----------------------|
| Input VAT | ₱161,799 | ₱191,536 |
| Franchise fee | 11,542 | 17,641 |
| Utility deposits | 4,710 | 1,207 |
| | ₱178,051 | ₱210,384 |

Franchise fee pertains to RVHC's franchise fee to a third-party hotel chain company for the non-exclusive, non-assignable right to use the proprietary marks and system in connection with the establishment and operation of GoHotels. The agreement is for 10 years beginning the opening day of the hotels. There is no amortization recognized for the three months ended December 31, 2016, and for the years ended September 30, 2016 and 2015 as the hotels are still in progress of completion.

11. Investments in Associates and a Joint Venture and Investment in a Subsidiary with Material Non-controlling interest

Movements in Investment in Associates and a Joint Venture this account follow:

| | December 31, 2016 | September 30, 2016 |
|---|------------------------------|-----------------------|
| | (Three Months) | (One Year) |
| Associates | | |
| Acquisition cost: | | |
| Balance at beginning of period | ₱2,167,054 | ₱2,240,733 |
| Loss on deemed disposal of RHI | - | (73,679) |
| Balance at end of period | 2,167,054 | 2,167,054 |
| Accumulated equity in net earnings (loss): | | |
| Balance at beginning of period | 132,065 | 115,048 |
| Equity in net earnings (loss) | (26,532) | 17,017 |
| Balance at end of period | 105,533 | 132,065 |
| Unrealized loss on transfer of land - | | |
| Balance at beginning and end of period | (59,030) | (59,030) |
| Other comprehensive income: | | |
| Balance at beginning of period | 34,900 | 697 |
| Share in appraisal increase in land, net of tax | - | 45,497 |
| Share in remeasurement loss on retirement liability, net of tax | - | (11,294) |
| Balance at end of period | 34,900 | 34,900 |
| | 2,248,457 | 2,274,989 |
| Allowance for impairment loss | (15,233) | (15,233) |
| | ₱2,233,224 | ₱2,259,756 |
| Joint Venture | | |
| Acquisition cost: | | |
| Balance at beginning of period | ₱- | ₱190,000 |
| Additional investment | - | 86,000 |
| Reclassification as subsidiary | - | (276,000) |
| Balance at end of period | - | - |

(Forward)



| | December 31, 2016 | September 30, 2016 |
|--|------------------------------|-----------------------|
| | (Three Months) | (One Year) |
| Accumulated equity in net earnings (loss): | | |
| Balance at beginning of period | ₱- | (₱1,908) |
| Equity in net earnings | - | 190 |
| Reclassification as subsidiary | - | 1,718 |
| Balance at end of period | - | - |
| | - | - |
| | ₱2,233,224 | ₱2,259,756 |

The following are the associates of the Group:

| | Percentage of Ownership | | Description of Business |
|--|-------------------------|-----------------------|--|
| | December 31, 2016 | September 30, 2016 | |
| RHI and subsidiaries | 25.07 | 25.07 | Production and selling of sugar and related products |
| Roxaco-ACM Development Corporation (RADC)* | 50.00 | 50.00 | Real estate |
| Fuego Land Corporation (FLC)* | 30.00 | 30.00 | Real estate |
| Fuego Development Corporation (FDC)* | 30.00 | 30.00 | Real estate |
| Club Punta Fuego, Inc. (CPFI)* | 25.00 | 25.00 | Social recreational and athletic activities |

* *Effective ownership through RLC.*

The following are the subsidiaries of RHI:

| | Percentage of Ownership | | Description of Business |
|---|-------------------------|-----------------------|---|
| | December 31, 2016 | September 30, 2016 | |
| Central Azucarera Don Pedro, Inc. (CADPI) | 100.00 | 100.00 | Production and selling of raw and refined sugar, molasses and related products |
| Central Azucarera de la Carlota, Inc. (CACI) | 100.00 | 100.00 | Production and selling of raw sugar and molasses |
| CADP Insurance Agency, Inc. (CIAI) | 100.00 | 100.00 | Insurance agency |
| Roxol Bioenergy Corp. (RBC) | 100.00 | 100.00 | Production and selling of bioethanol fuel and trading of goods such as sugar and related products |
| CADP Port Services, Inc. (CPSI) | 100.00 | 100.00 | Providing ancillary services |
| RHI Agri-Business Development Corporation (RABDC) | 100.00 | 100.00 | Agricultural business |
| Roxas Pacific Bioenergy Corporation (RPBC) | 100.00 | 100.00 | Holding company for bioethanol investments |
| RHI Pacific Commercial Corp. (RHIPCC) | 100.00 | 100.00 | Selling arm of products of RHI Group |
| San Carlos Bioenergy, Inc. (SCBI) | 93.35 | 93.35 | Production and selling of bioethanol fuel |
| Najalin Agri Ventures, Inc. (NAVI) | 86.91 | 86.91 | Agricultural and industrial development |
| Roxas Power Corporation (RPC) | 50.00 | 50.00 | Sale of electricity |



The carrying amounts of investments in associates are as follow:

| | December 31, 2016 | September 30, 2016 |
|----------------------|----------------------|-----------------------|
| Associates | | |
| RHI and subsidiaries | ₱2,100,423 | ₱2,128,578 |
| FLC | 91,729 | 87,961 |
| CPFI | 17,709 | 19,807 |
| FDC | 14,935 | 14,983 |
| RADC | 8,428 | 8,427 |
| | ₱2,233,224 | ₱2,259,756 |

Associates

As discussed in Note 6, the remaining 35% investment in RHI amounting to ₱1,023.0 million was classified and accounted for as an investment in an associate beginning November 29, 2013.

On October 1, 2014, the Parent Company bought 5.0 million shares of stock of RHI for ₱34.5 million increasing its equity interest to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares at ₱7.00 a share amounting to ₱1,692.6 million to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 1). As a result, the Parent Company recognized a gain on deemed disposal amounting to ₱84.8 million in 2015. Also, on the same date, the Parent Company purchased 33.1 million shares of RHI from various stockholders for a total purchase price of ₱231.8 million, increasing the Parent Company's equity interest from 28% to 31%.

On May 31, 2016, the equity interest of the Parent Company was further diluted from 31% to 25%, as a result of the exercise of SRO by other stockholders of RHI. Consequently, the Parent Company recognized a loss on deemed disposal amounting to ₱73.7 million for the year ended September 30, 2016.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company and RLC amounting to ₱590.0 million and ₱597.5 million, respectively, as at December 31, 2016 and September 30, 2016 (see Note 15).

Investments in CPFI, RADC and FLC were provided with allowance for impairment loss amounting to ₱7.9 million, ₱3.7 million and ₱3.6 million, respectively, as at December 31, 2016 and September 30, 2016.

Joint Venture (accounted for as a subsidiary effective April 13, 2016)

On December 3, 2013, RLC entered into a Joint Venture Agreement with VH Select Investments (Phil) Pte Ltd to form a joint venture company, namely - RVHC [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five "Go Hotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the SEC approved RVHC's increase in authorized capital stock from ₱4.0 million or 40,000 common shares to 800.0 million common shares with a reduction of par value from ₱100.0 to ₱1.0 a share and additional 200.0 million preferred shares at ₱0.01 par value a share aggregating ₱802.0 million.



On October 23, 2015, RLC made additional investment amounting to ₱25.0 million maintaining the same equity interest of 50% in RVHC.

On April 13, 2016, RLC made an additional investment of ₱61.0 million which increased the equity interest in RVHC from 50% to 51%. On the same date, certain provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RVHC from two to three directors out of the five directors, representing increase from 50% to 60%, to obtain control over RVHC. Consequently, RVHC became a subsidiary from that date.

On May 25, 2016, and August 18, 2016, RLC made additional investment amounting to ₱51.0 million and ₱41.0 million, respectively. On May 24, 2016 and September 8, 2016, VH Select Investments (Phil) Pte Ltd made additional investments amounting to ₱50.0 million and ₱38.0 million, respectively. The said investments from RLC and VH Select Investments (Phil) Pte Ltd maintain the same equity interest in RVHC.

As at December 31, 2016 and September 30, 2016, RVHC is still in the construction phase. Manila Airport Road GoHotel, which is substantially completed, started its commercial operations in October 2016.

Total cost to complete the Projects amounted to ₱562.2 million. As at December 31, 2016 and September 30, 2016, total costs incurred on the Projects amounted to ₱1,877.8 million and ₱1,762.0 million, respectively, recorded under "Property and equipment" carried at cost in the statement of financial position.

The accumulated equity in net earnings of associates and a joint venture amounting to ₱105.5 million and ₱132.1 million as at December 31, 2016 and September 30, 2016, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

Summarized financial information of associates and a joint venture (2015) are as follows:

| | Associates | | | | |
|------------------------|--|----------------------------------|--|----------------------------------|----------------------------------|
| | RHI and Subsidiaries | | CPFI, FLC, FDC and RADC | | Joint Venture |
| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
| Current assets | ₱5,709,377 | ₱4,484,351 | ₱555,980 | ₱525,221 | ₱322,994 |
| Noncurrent assets | 17,172,732 | 17,173,673 | 642,045 | 701,474 | 988,276 |
| Current liabilities | 5,948,927 | 4,367,945 | 394,672 | 354,643 | 28,497 |
| Noncurrent liabilities | 7,271,856 | 7,516,460 | 465 | 70,074 | 908,189 |
| Net assets | 9,661,326 | 9,773,619 | 802,888 | 801,978 | 374,584 |
| Revenue | 1,490,228 | 12,050,234 | 241,152 | 31,016 | – |
| Net income (loss) | (112,293) | 101,591 | 4,009 | (33,495) | (3,841) |

Subsidiary with Material Non-controlling Interest

Below are the summarized financial information of the subsidiaries that have non-controlling interests that are material to the Group. The amounts disclosed are based on those financial information included in the consolidated financial statements before intercompany eliminations.

RVHC became a subsidiary of the Parent Company through RLC as of September 30, 2016. Proportion of equity interest held by non-controlling interests of RVHC is 49% as of December 31, 2016 and September 30, 2016.



Summarized balance sheets of RVHC are as follows:

| | December 31, 2016 | September 30, 2016 |
|---|------------------------------|-----------------------|
| Total assets | ₱2,302,129 | ₱2,098,586 |
| Total liabilities | 1,566,374 | 1,885,073 |
| Equity | 735,755 | 213,513 |
| Attributable to non-controlling interests | 360,684 | 355,468 |

Summarized statements of income are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) |
|---|--|-------------------------------------|
| Revenue | ₱11,224 | ₱412 |
| Expenses | 20,372 | 9,830 |
| Benefit from income tax | (3,063) | (2,426) |
| Net income | (6,085) | (6,992) |
| Attributable to non-controlling interests | (2,986) | (3,431) |

Summarized statements of comprehensive income are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) |
|---|--|-------------------------------------|
| Total comprehensive loss | (₱6,085) | (₱6,992) |
| Attributable to non-controlling interests | (2,986) | (3,431) |

Summarized statements of cash flows are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) |
|---|--|-------------------------------------|
| Cash flows used in operating activities | (₱41,325) | (₱31,205) |
| Cash flows used in investing activities | (556,132) | (474,220) |
| Cash flows from financing activities | 559,011 | 431,011 |

12. Property and Equipment

Details and movements of the property and equipment carried at cost follows:

| | December 31, 2016 (Three Months) | | | | | Total |
|--|----------------------------------|----------------------------|-----------------------------|--|-----------------------------|-------------------|
| | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction in Progress | |
| Cost | | | | | | |
| Balance at beginning of period | ₱164,027 | ₱44,371 | ₱13,170 | ₱1,033,661 | ₱339,151 | ₱1,594,380 |
| Additions | 51 | 190,138 | - | 19,387 | 291,577 | 501,153 |
| Balance at end of period | 164,078 | 234,509 | 13,170 | 1,053,048 | 630,728 | 2,095,533 |
| Accumulated Depreciation and Amortization | | | | | | |
| Balance at beginning of period | 13,037 | - | 8,955 | 14,939 | - | 36,931 |
| Depreciation and amortization | 1,039 | - | 284 | 527 | - | 1,850 |
| Balance at end of period | 14,076 | - | 9,239 | 15,466 | - | 38,781 |
| Net Book Value | ₱150,002 | ₱234,509 | ₱3,931 | ₱1,037,582 | ₱630,728 | ₱2,056,752 |



| September 30, 2016 (One Year) | | | | | | |
|---|----------------------------|-------------------------|--------------------------|--|--------------------------|-------------------|
| | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction in Progress | Total |
| Cost | | | | | | |
| Balance at beginning of period | ₱13,584 | ₱- | ₱11,201 | ₱15,516 | ₱51,309 | ₱91,610 |
| Additions through step up acquisition of subsidiary | 1,125 | 1,433 | 1,564 | 843,382 | - | 847,504 |
| Additions through acquisition of a subsidiary | 147,655 | 42,938 | 405 | 174,701 | 285,292 | 650,991 |
| Reclassification | - | - | - | 62 | 4,213 | 4,275 |
| Balance at end of period | 164,027 | 44,371 | 13,170 | 1,033,661 | 339,151 | 1,594,380 |
| Accumulated Depreciation and Amortization | | | | | | |
| Balance at beginning of period | 9,712 | - | 8,202 | 13,644 | - | 31,558 |
| Depreciation and amortization | 3,325 | - | 753 | 1,286 | - | 5,364 |
| Acquired from a subsidiary | - | - | - | 9 | - | 9 |
| Balance at end of period | 13,037 | - | 8,955 | 14,939 | - | 36,931 |
| Net Book Value | ₱150,990 | ₱44,371 | ₱4,215 | ₱1,018,722 | ₱339,151 | ₱1,557,449 |

Construction in progress pertains to the units to be used as RLC's office in Nasugbu, Batangas, which was completed in 2016, construction of RVHC's Go Hotels, RGEC's solar power project and AHRC's building. The foregoing projects are expected to be completed in 2017. Manila Airport Road GoHotel, however, started its commercial operations in October 2016 with minimal construction works (i.e., interior fittings and designs) which are expected to be completed in 2017.

Capitalized borrowing costs amounted to ₱11.9 million and ₱33.0 million for the three months ended December 31, 2016 and for the year ended September 30, 2016, respectively, (nil for the year ended September 30, 2015) for the construction of GoHotels (see Note 15).

For the year ended September 30, 2015, a fully depreciated machinery and equipment was sold at a gain amounting to ₱3.5 million (see Note 22).

Fully depreciated property and equipment with an aggregate cost of ₱14.5 million as at December 31, 2016 and September 30, 2016, respectively, are still being used in the operations.

Land at appraised values and had it been carried at cost are as follows:

| | December 31, 2016 | September 30, 2016 |
|---|-------------------|--------------------|
| At appraised values: | | |
| Balance at beginning of year | ₱527,361 | ₱12 |
| Appraisal increase | 23,879 | 4,642 |
| Additions through step up acquisition of a subsidiary | - | 512,707 |
| Additions through acquisition of a subsidiary | - | 10,000 |
| Balance at end of year | ₱551,240 | ₱527,361 |
| At cost | ₱504,202 | ₱504,202 |

Certain assets were mortgaged and used as collateral to secure the loan obligations of the Parent Company, RLC and RVHC with the local banks as at (see Note 15).



13. Investment Properties

Movements on investment properties are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) |
|------------------------------|--|-------------------------------------|
| Balance at beginning of year | ₱4,570,834 | ₱4,495,444 |
| Unrealized fair value gain | – | 75,390 |
| Balance at end of year | ₱4,570,834 | ₱4,570,834 |

The Parent Company

This account consists of land properties located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation.

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,316.3 million as at December 31, 2016 and September 30, 2016 (see Note 25).

As at December 31, 2016 and September 30, 2016, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at September 15, 2016 as determined by a professional qualified independent and SEC-accredited appraiser. The fair value measurement for investment properties has been categorized under Level 3, which was determined by using the Sales Comparison Approach that disregards all existing liens and encumbrances, and appraises the properties as though free and with clean titles. Such approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape (see Note 27).

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to deficit. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulted from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc., the parent company of CADPGC, which was absorbed and liquidated (see Note 18). The Philippine SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

On December 20, 2013, the Parent Company leased certain investment properties to a third party for a period of three crop years. Rent income recognized amounted to ₱0.9 million for the years ended September 30, 2016 and 2015 (see Notes 22 and 25).

Investment properties with carrying value of ₱6.8 million as at December 31, 2016 and September 30, 2016 are used as collateral for the long-term borrowings of the Parent Company and RLC (see Note 15).

RLC

Investment property of RLC amounting to ₱8.4 million pertains to a commercial building for lease in Nasugbu, Batangas, which was reclassified to real estate held for sale during the year ended September 30, 2015 (see Note 9).



Rent income from this investment property amounted to ₱0.2 million for the year ended September 30, 2015 (see Note 22).

14. Short-term Borrowings

This account represents unsecured short-term loans obtained from various local banks for its working capital requirements. These short-term borrowings are payable within 30 to 180 days for the three months ended December 31, 2016 and September 30, 2016 and bear annual interest ranging from 2.75% to 5.00% for the three months ended December 31, 2016, 2.75% to 3.75% for the year ended September 30, 2016, and 2.75% to 3.5% for the year ended September 30, 2015

Interest expense arising from short-term borrowings amounted to ₱5.3 million for the three months ended December 31, 2016, and ₱15.2 million and ₱4.0 million for the years ended September 30, 2016 and 2015, respectively (see Note 15). Capitalized borrowing cost from short-term borrowings amounted to ₱1.1 million during the three months ended December 31, 2016 and ₱9.8 million and ₱2.1 million for the years ended September 30, 2016 and 2015, respectively.

15. Long-term Borrowings

Long-term borrowings consist of loans from:

| | December 31, 2016 | September 30, 2016 |
|--------------------------------------|------------------------------|-----------------------|
| Bank of the Philippine Islands (BPI) | ₱1,355,000 | ₱1,100,500 |
| Banco de Oro Unibank, Inc. (BDO) | 571,390 | 489,724 |
| | 1,926,390 | 1,590,224 |
| Current portion | (198,390) | (62,500) |
| Noncurrent portion | ₱1,728,000 | ₱1,527,724 |

| | December 31, 2016 | September 30, 2016 |
|--------------------|------------------------------|-----------------------|
| Parent | ₱90,000 | ₱97,500 |
| RLC | 531,390 | 539,724 |
| RVHC | 1,305,000 | 953,000 |
| Noncurrent portion | ₱1,926,390 | ₱1,590,224 |

Loan of the Parent Company

The bank loan is classified as follows:

| | December 31, 2016 | September 30, 2016 |
|--------------------|------------------------------|-----------------------|
| Current portion | ₱30,000 | ₱30,000 |
| Noncurrent portion | 60,000 | 97,500 |
| | ₱90,000 | ₱127,500 |

On September 20, 2012, the Parent Company obtained a short-term loan from BPI amounting to ₱400.0 million, which bore interest at prevailing market rate (initially at 4.50%) with a maturity period of 30 days.



On January 21, 2013, BPI approved the modified principal repayment schedule of the short-term loan into a long-term loan, which bears interest ranging from 4.50% to 5.50% and is payable quarterly in arrears. The principal is payable in 20 equal amortization starting January 20, 2015 until December 20, 2019.

As at December 31, 2016 and September 30, 2016, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

| | |
|--|----------|
| Shares of stock of RHI (99.6 million shares) | P322,265 |
| Real estate for sale and development of RLC (Note 9) | 178,821 |
| Investment properties (Note 13) | 6,838 |
| Property and equipment (Note 12) | 32 |
| | P507,956 |

Loan of RLC

The bank loan is classified as follows:

| | 2016 | 2015 |
|--------------------|-----------------|---------|
| Current portion | P31,390 | P33,829 |
| Noncurrent portion | 500,000 | 41,016 |
| | P531,390 | P74,845 |

In 2013, RLC obtained a new term loan facility from BDO amounting to P130.0 million. The loans bear fixed interest of 4.25%, which is being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period for five years until 2018.

The loan facility is secured by RLC's real estate for sale and development amounting to P2.1 million as at December 31, 2016 and September 30, 2016 (see Note 9).

On June 30, 2016, RLC obtained a new loan from BPI, with RCI as the co-mortgagor, amounting to P500.0 million. The loan bears variable interest rate and is repriced every quarter. Principal amount is payable quarterly for five years until 2023 with the first payment payable after two years from the release of the loan. As at December 31, 2016 and September 30, 2016, the loan from BPI is secured by RLC's real estate for sale and development amounting to P178.8 million (see Note 9) and certain properties of the Parent Company.

Loan of RVHC

As at December 31, 2015, RVHC had drawn total loan of P750.00 million from the loan facility. On July 30, 2016, an additional P30.00 million was drawn from BPI, however, an amount of P15.00 million was paid on September 27, 2016.

In October 2015, the Company entered into a loan facility with BDO amounting to P385.00 million for general working capital purposes, and for the development of two GoHotels. As at December 31, 2015, RVHC had drawn P325.00 million from the loan facility. Further, an additional P215.00 million was drawn in 2016.

The loan facilities are secured by RVHC's Projects amounting to P1,574.2 million and P1,397.6 million as at December 31, 2016 and September 30, 2016 (see Note 12).



Interest Expense

Total interest expense incurred, net of capitalized borrowing costs related to real estate projects of RLC and its subsidiaries amounting to ₱2.7 million for the three months ended December 31, 2016, and ₱44.4 million and ₱7.6 million for the years ended September 30, 2016 and 2015, respectively (see Notes 9 and 12), are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|-----------------------|--|-------------------------------------|-------------------------------------|
| Long-term borrowings | ₱4,250 | ₱15,569 | ₱13,899 |
| Short-term borrowings | 5,254 | 15,182 | 3,972 |
| | ₱9,504 | ₱30,751 | ₱17,871 |

Details of capitalized borrowing costs are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|-----------------------|--|-------------------------------------|-------------------------------------|
| Long-term borrowings | ₱12,728 | ₱35,675 | ₱1,288 |
| Short-term borrowings | 3,725 | 9,844 | 2,093 |
| | ₱16,453 | ₱45,519 | ₱3,381 |

Loan Covenants

The long-term borrowings of the Parent Company and RLC are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1:1 and debt to equity ratio of not more than 0.75:1.00;
- prohibition on sale, lease, transfer, or otherwise disposal of any of its properties and assets, or its existing investments therein;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management and;
- prohibition on declaration or payment of dividends or any other capital or other asset distribution to its stockholders.

The Parent Company obtained a letter from the creditor bank approving the suspension of the DSCR requirement effective for the fiscal year ended September 30, 2016 and for the period starting October 1, 2016 to the end of calendar year December 31, 2017.

Maturities

The maturities of the long-term borrowings are as follow:

| | December 31, 2016 | September 30, 2016 |
|----------------------------|------------------------------|-----------------------|
| Less than one year | ₱198,390 | ₱62,500 |
| Between one and two years | 107,000 | 125,000 |
| Between two and five years | 1,621,000 | 105,000 |
| Over five years | - | 1,297,724 |
| | ₱1,926,390 | ₱1,590,224 |



16. Trade and Other Payables

This account consists of:

| | December 31, 2016 | September 30, 2016 |
|--|------------------------------|-----------------------|
| Trade | ₱180,281 | ₱112,968 |
| Retention payable | 83,154 | 84,145 |
| Accrued expenses: | | |
| Outside services | 72,615 | 20,807 |
| Interest | 6,053 | 7,059 |
| Payroll and other benefits | 4,588 | 4,192 |
| Others | 13,930 | 22,030 |
| Due to related parties (Note 19) | 63,196 | 54,205 |
| Customers' deposits | 30,959 | 26,179 |
| Payables to government agencies for taxes and statutory contributions | 21,793 | 11,881 |
| Deferred income | 10,242 | 3,406 |
| Payables to contractors | 8,630 | 27,243 |
| Dividends (Note 18) | 1,202 | 5,646 |
| Others | 17,054 | 9,739 |
| | ₱513,697 | ₱389,500 |

Trade payables are noninterest-bearing and are generally settled within 30 days.

Retention payable pertains to amounts withheld on payments made to contractors equivalent to 10% of the amount billed. The amounts withheld will be remitted to the contractors upon successful completion of the related projects and acceptance by the Group.

Accrued other expenses consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance.

Customers' deposits represent noninterest-bearing cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Payables to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.

Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

Payables to contractors pertain to liabilities for the services rendered for the construction of the coconut plant facility.

17. Retirement Benefits

The Parent Company, RLC and AHC maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.



Retirement Benefits

The amounts recognized as retirement benefits in the consolidated statements of income are as follows:

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|----------------------|------------------------------|-----------------------|-----------------------|
| | (Three Months) | (One Year) | (One Year) |
| Current service cost | ₱1,435 | ₱5,815 | ₱4,867 |
| Interest cost | 196 | 561 | 374 |
| | ₱1,631 | ₱6,376 | ₱5,241 |

The cumulative remeasurement gain on retirement liability (shown as part of other equity reserve) recognized as other comprehensive income amounted to ₱3.3 million, net of tax, as of December 31, 2016 and September 30, 2016.

Retirement Liability

Retirement liability recognized in the consolidated statements of financial position follows:

| | December 31, 2016 | September 30, 2016 |
|-----------------------------|------------------------------|-----------------------|
| Present value of obligation | ₱30,397 | ₱28,766 |
| Fair value of plan assets | (10,743) | (10,743) |
| Retirement liability | ₱19,654 | ₱18,023 |

Movements in the defined benefit obligation follow:

| | December 31, 2016 | September 30, 2016 |
|--------------------------------|------------------------------|-----------------------|
| | (Three Months) | (One Year) |
| Balance at beginning of period | ₱28,766 | ₱22,635 |
| Current service cost | 1,435 | 5,815 |
| Interest cost | 196 | 561 |
| Actuarial gain | - | (245) |
| Balance at end of period | ₱30,397 | ₱28,766 |

Movements in the fair value of plan assets follow:

| | December 31, 2016 | September 30, 2016 |
|--------------------------------|------------------------------|-----------------------|
| | (Three Months) | (One Year) |
| Balance at beginning of period | ₱10,743 | ₱10,766 |
| Actuarial loss | - | (23) |
| Balance at end of period | ₱10,743 | ₱10,743 |

Plan assets of the Parent Company and RLC as at December 31, 2016 and September 30, 2016 consist of:

| | |
|--|-------------|
| Cash in banks and cash equivalents | 25% |
| Government securities and other assets | 75% |
| | 100% |



The Parent Company and RLC are expected to contribute a total of ₱4.1 million to its respective plans in 2017.

The latest actuarial valuation of the plan is as of September 30, 2016, which was also used for the estimation of the retirement benefits as of December 31, 2016.

The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each period follows:

| | December 31. 2016 | September 30. 2016 | September 30, 2015 |
|-------------------------|------------------------------|-----------------------|-----------------------|
| Discount rate | 4.34% to 4.42% | 4.34% to 4.42% | 4.70% to 4.85% |
| Future salary increases | 5.00% | 5.00% | 5.00% |

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2016 are as follows:

| | Change in Assumption | Effect on Retirement Liability |
|---------------|----------------------|--------------------------------|
| Discount Rate | +0.5% | (₱1,412) |
| | -0.5% | 1,525 |
| Salary Rate | +1% | 3,042 |
| | -1% | (2,664) |

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

The maturity analysis of the undiscounted payments as of December 31, 2016 are as follows:

| | Amount |
|----------------------------------|---------|
| One year and less | ₱2,200 |
| More than one year to five years | 6,400 |
| More than five years to 10 years | 38,400 |
| More than 10 years to 15 years | 33,100 |
| More than 15 years to 20 years | 29,900 |
| More than 20 years | 139,300 |

Weighted average duration of the defined benefit liability is 21 years.

The expected return of plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the fund's past performance.



18. Equity

a. Capital Stock

| | December 31, 2016 | | September 30, 2016 | |
|---------------------------------------|----------------------|--------------------|--------------------|-------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| “Class A” common stock - ₱1 par value | | | | |
| Authorized | 3,375,000,000 | ₱3,375,000 | 3,375,000,000 | ₱3,375,000 |
| Issued - | | | | |
| Balance at beginning and end of year | 2,911,885,869 | ₱2,911,886 | 2,911,885,869 | ₱2,911,886 |
| Treasury stock: | | | | |
| Balance at beginning of year | (938,087,667) | (1,594,749) | (940,384,775) | (1,598,654) |
| Issuances | 69,184 | 118 | 2,297,108 | 3,905 |
| Balance at end of year | (938,018,483) | (1,594,631) | (938,087,667) | (1,594,749) |
| Issued and outstanding | 1,973,867,386 | ₱1,317,255 | 1,973,798,202 | ₱1,317,137 |

On December 3, 2013, the Company implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, amounting to ₱1,683.7 million and representing 34% of the issued and outstanding capital stock of the Company. The BOD approved the plan to buy back shares on November 13, 2013.

Consequently, the BOD approved the appropriation of a portion of retained earnings amounting to ₱1,683.7 million for the cost of treasury shares acquired.

On May 18, 2015, the Company has issued 50.0 million treasury shares for ₱2.00 a share aggregating ₱100.0 million, resulting to an increase in additional paid-in capital amounting to ₱15.0 million.

For the year ended September 30, 2016, the Parent Company has issued 2.3 million treasury shares, on various dates, ranging from ₱2.21 to ₱2.47 a share aggregating ₱3.9 million, resulting to an increase in additional paid-in capital amounting to ₱1.5 million.

For the three months ended December 31, 2016, the Parent Company issued 69,184 treasury shares based on the market rate of ₱2.19 per share aggregating ₱0.2 million, resulting to an increase in additional paid-in capital amounting to ₱5,996, net of transaction costs of ₱27,904.

b. Track Record of Registration

| Date | Number of Shares Licensed | Issue/Offer Price |
|--------------------|---------------------------|-------------------|
| October 7, 1918 | 15,000 | ₱100.00 |
| February 15, 1963 | 2,500,000 | 10.00 |
| September 30, 1969 | 3,000,000 | 10.00 |
| January 13, 1977 | 5,000,000 | 10.00 |
| May 21, 1990 | 12,500,000 | 10.00* |
| December 3, 1996 | 200,000,000 | 1.00 |
| October 26, 1999 | 400,000,000 | 1.00 |
| April 2, 2002 | 2,000,000,000 | 1.00 |
| February 7, 2005 | 1,962,500,000 | 1.00 |
| June 23, 2009 | 3,375,000,000 | 1.00 |

* Par value was subsequently reduced to ₱1.00



c. Other equity reserves

Details of other equity reserves follow:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|--|--|-------------------------------------|-------------------------------------|
| Revaluation Increment on Land | | | |
| Balance at end of year | ₱280,091 | ₱280,091 | ₱280,091 |
| Share in Revaluation Increment on Land of an Associate | | | |
| Balance at beginning of period | 45,497 | – | – |
| Share in revaluation increment on land, net of tax | – | 45,497 | – |
| Balance at end of period | 45,497 | 45,497 | – |
| Cumulative Share in Changes in Fair Value of AFS Financial Assets of an Associate | | | |
| Balance at beginning and end of period | 5,129 | 5,129 | 5,129 |
| Revaluation Increment on Land of a Subsidiary | | | |
| Balance at beginning of period | 3,766 | – | – |
| Share in appraisal increase, net of tax | 8,514 | 3,766 | – |
| Balance at end of period | 12,280 | 3,766 | – |
| Cumulative Remeasurement Gain (Loss) on Retirement Liability | | | |
| Balance at beginning of period | 3,281 | 3,126 | 3,126 |
| Remeasurement gain, net of tax | – | 155 | – |
| Balance at end of period | 3,281 | 3,281 | 3,126 |
| Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates | | | |
| Balance at beginning of period | (15,726) | (4,432) | 917 |
| Share in remeasurement loss, net of tax | – | (11,294) | (5,349) |
| Balance at end of period | (15,726) | (15,726) | (4,432) |
| | ₱330,552 | ₱322,038 | ₱283,914 |

Restructuring on equity and revaluation increment on land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CADPI Consultancy Services, Inc. (CCSI) and CADPI Farm Services, Inc. (CFSI) for ₱1.3 billion of common shares of CADP Group Corporation (CADPGC) with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to



₱150.6 million. Consequently, RHI's equity interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC. CCSI and CFSI were subsequently merged with CADPI, as the surviving entity, in 2014.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. The transaction was accounted for under pooling of interest and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to ₱280.0 million from ₱150.6 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve," which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the debit balance in the "Other equity reserve" arising from the merger between CADPGC and Roxas & Company, Inc. as discussed in the preceding paragraph, to deficit. Management believes that such transfer of the debit balance in the "Other equity reserve" arising from the merger will result to a more useful and relevant financial statements. The transfer of the debit balance in the "Other equity reserve," consequently, resulted to retained earnings as at June 30, 2011. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 13).

d. Retained Earnings

Details of retained earnings follow:

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|---|------------------------------|-----------------------|-----------------------|
| | (Three Months) | (One Year) | (One Year) |
| Appropriated/Restricted | | | |
| Balance at beginning of period | ₱2,081,369 | ₱2,085,274 | ₱2,170,274 |
| Reversal for treasury stock | (118) | (3,905) | (85,000) |
| Balance at end of period | ₱2,081,251 | ₱2,081,369 | ₱2,085,274 |
| Unappropriated | | | |
| Balance at beginning of period | ₱1,733,882 | ₱1,821,159 | ₱1,639,432 |
| Net income (loss) | (89,987) | (71,445) | 135,157 |
| Cash dividends | - | (19,737) | (38,430) |
| Appropriation (reversal) for treasury stock | 118 | 3,905 | 85,000 |
| Balance at end of period | 1,644,013 | 1,733,882 | 1,821,159 |
| | ₱3,725,264 | ₱3,815,251 | ₱3,906,433 |



Restricted and/or Appropriated Retained Earnings

Retained earnings that are not available for dividend declaration are as follows:

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|--|----------------------|-----------------------|-----------------------|
| Appropriation for treasury stock | ₱1,594,631 | ₱1,594,749 | ₱1,598,654 |
| Net unrealized fair value gains on investment properties included in the retained earnings | 283,545 | 283,545 | 283,545 |
| Application of revaluation increment against deficit | 203,075 | 203,075 | 203,075 |
| | ₱2,081,251 | ₱2,081,369 | ₱2,085,274 |

On October 14, 1999, the SEC approved the Parent Company's quasi-reorganization, which involved the elimination of deficit amounting to ₱203.1 million as at July 31, 1999 by offsetting the entire amount against the revaluation increment on land.

For purposes of dividend declaration, the retained earnings of the Parent Company should be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of "Other equity reserves" (see Note 13).

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,683.6 million for the cost of treasury shares acquired.

For the three months ended December 31, 2016, the Parent Company issued 0.1 million treasury shares and reversed the related appropriation amounting to ₱0.1 million. For the years ended September 30, 2016 and September 30, 2015, the Parent Company issued 2.3 million and 50.0 million treasury shares and reversed the related appropriation amounting to ₱3.9 million and ₱85.0 million, respectively.

Dividend Declaration

Cash dividends declared by the Parent Company against the unappropriated retained earnings are as follows:

| Date Approved | Dividend | | Stockholders of | |
|-------------------|-----------|--------------|------------------|------------------|
| | Per Share | Total Amount | Record Date | Payment Date |
| December 18, 2015 | ₱0.01 | ₱19,734 | January 15, 2016 | February 5, 2016 |
| December 12, 2014 | 0.02 | 38,430 | January 15, 2015 | January 30, 2015 |
| December 13, 2013 | 0.02 | 38,430 | January 6, 2014 | January 30, 2014 |

Dividends payable amounted to ₱1.2 million and ₱5.6 million as at December 31, 2016 and September 30, 2016, respectively (see Note 16).

e. Share Prices

The principal market for the Parent Company's share of stock is the PSE. The high and low trading prices of the Parent Company's share for each quarter within the last three periods are as follows:



| Quarter | High | Low |
|-------------------------------------|-------|-------|
| October 2016 through December 2016 | ₱2.34 | ₱2.20 |
| October 2015 through September 2016 | | |
| First | 3.20 | 2.85 |
| Second | 2.88 | 2.78 |
| Third | 3.60 | 2.60 |
| Fourth | 2.53 | 2.31 |
| October 2014 through September 2015 | | |
| First | 2.80 | 2.80 |
| Second | 2.95 | 2.57 |
| Third | 2.89 | 1.70 |
| Fourth | 2.80 | 1.57 |

19. Related Party Transactions and Balances

The transactions and related balances of the Group with other related parties are as follows:

| Related Party | Nature of Transaction | Period | Transactions during the Period* | Trade and Other Receivables (see Note 8) | Amount Due to Related Parties (see Note 16) |
|---------------------------------------|---|--------------------------|---------------------------------|--|---|
| Associates | | | | | |
| FDC | Noninterest-bearing advances | December 31, 2016 | ₱- | ₱40,362 | ₱2,388 |
| | | September 30, 2016 | - | 40,362 | 2,388 |
| | Noninterest-bearing advances | December 31, 2016 | - | - | 10,822 |
| | | September 30, 2016 | - | - | 10,822 |
| FLC | Dividends receivable | December 31, 2016 | - | 4,624 | - |
| | | September 30, 2016 | - | 4,624 | - |
| RADC | Noninterest-bearing advances | December 31, 2016 | - | - | 10,966 |
| | | September 30, 2016 | - | - | 10,966 |
| CACI | Interest-bearing advances | December 31, 2016 | (3,600) | - | 3,944 |
| | | September 30, 2016 | 1,745 | - | 7,544 |
| Joint Ventures | | | | | |
| JVPI | Noninterest-bearing advances | December 31, 2016 | - | 1,021 | 119 |
| | | September 30, 2016 | - | 1,021 | 119 |
| Marilo Realty Development Corporation | Noninterest-bearing advances | December 31, 2016 | ₱94 | ₱1,272 | ₱305 |
| | | September 30, 2016 | - | 584 | - |
| LPC | Defrayment of cost and expenses for restructuring | December 31, 2016 | 2,948 | 3,112 | 23,573 |
| | | September 30, 2016 | - | 3,112 | 20,625 |
| Others | Noninterest-bearing advances | December 31, 2016 | - | 15,007 | 14,938 |
| | | September 30, 2016 | - | 29,563 | 1,741 |
| | | December 31, 2016 | | ₱65,398 | ₱63,196 |
| | | September 30, 2016 | | ₱79,266 | ₱54,205 |

*Amounts represent transactions for the three months ended December 31, 2016 and for the year ended September 30, 2016.

- In the normal course of business, the Parent Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are noninterest-bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%. No interest income was recognized for the three months ended December 31, 2016. For the years ended September 30, 2016 and 2015, interest income recognized amounted to ₱1.7 million and ₱4.0 million, respectively (see Note 8).
- In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and



LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC.

Outstanding balances at yearend are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each reporting date. As at December 31, 2016 and September 30, 2016, allowance for impairment loss amounting to P3.1 million pertains to due from LPC.

- c. Transactions and balances with related parties eliminated during consolidation are as follows:

| Amounts owed by | Amounts owed to | Nature | December 31, 2016 | September 30, 2016 |
|-----------------|-----------------|---|----------------------|-----------------------|
| AHRC | RLC | Reimbursable construction expenditures | P249,696 | P212,069 |
| RVHC | RLC | Loan advances and reimbursable expenses | 38,291 | 142 |
| AHC | RLC | Reimbursable expenses | 31,531 | 30,796 |
| RLC | RCI | Loan advances and reimbursable expenses | 18,335 | 69 |
| RCI | RSAI | Reimbursable expenses | 17,966 | - |
| RGEC | RCI | Lease charges and reimbursable expenses | 7,544 | 7,514 |
| RCI | UVC | Sale of ice plant property | 3,500 | 3,500 |
| A1HRC | RLC | Reimbursable expenses | 9,429 | 3,812 |
| SMMSI | RLC | Reimbursable expenses | 902 | 1,705 |
| UVC | RCI | Reimbursable expenses | 222 | 222 |
| AHC | AHRC | Reimbursable expenses | - | 2,725 |

| Revenue and income by | Expense by | Nature | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|-----------------------|------------|--------------------------|--|-------------------------------------|-------------------------------------|
| RCI | RGEC | Lease charges | P- | P16,724 | P- |
| RCI | RLC | Management fee | 1,800 | 7,200 | 7,200 |
| RCI | UVC | Property maintenance fee | - | - | 400 |

- d. Compensation of key management personnel is as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|----------------------------------|--|-------------------------------------|-------------------------------------|
| Salaries and short-term benefits | P13,563 | P24,587 | P17,316 |
| Retirement benefits | 937 | 2,634 | 3,840 |
| | P14,500 | P27,221 | P21,156 |

Directors' Remuneration

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration, payable in cash and shares of stock of the Parent Company.



On May 14, 2015, the BOD of the Parent Company approved to settle the directors' remuneration for the period August 13, 2013 to February 20, 2015 in cash, equivalent to the market value of the shares, which is the closing price of shares on the last trading day immediately preceding the board meeting. Details are as follows:

| Date of Meeting | Number of Shares | Market Value a Share | Amount |
|-----------------|------------------|----------------------|----------|
| May 17, 2015 | 90,674 | ₱1.9 | ₱175,000 |
| August 20, 2015 | 68,681 | 1.8 | 125,000 |

In December 2015, the Parent Company settled the outstanding liability through issuance of 159,355 treasury shares amounting to ₱300,000.

The Parent Company settled director's remuneration through issuance of treasury shares for the regular board meetings held as follows:

| Date of Meeting | Number of shares | Market Value per Share | Amount |
|-------------------|------------------|------------------------|----------|
| December 18, 2015 | 52,085 | ₱2.40 | ₱125,004 |
| May 19, 2016 | 67,266 | 2.28 | 153,366 |
| August 12, 2016 | 56,305 | 2.21 | 124,434 |
| December 16, 2016 | 68,184 | 2.19 | 149,323 |

For the year ended September 30, 2016, the Parent Company settled the President's remuneration through issuance of treasury shares amounting to ₱3.4 million, resulting to an increase in additional paid-in capital amounting to ₱1.4 million.

The expense recognized on the foregoing amounted to ₱0.1 million for the three months ended December 31, 2016, and ₱3.8 million and ₱0.3 million for the years ended September 30, 2016 and 2015, respectively, presented as part of "Salaries and employee benefits" account in the consolidated statements of comprehensive income.

20. Operating Expenses

Operating expenses consist of:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|-------------------------------------|--|-------------------------------------|-------------------------------------|
| General and administrative expenses | ₱93,442 | ₱155,571 | ₱91,599 |
| Selling expenses | 11,187 | 29,665 | 26,616 |
| | ₱104,629 | ₱185,236 | ₱118,215 |

General and administrative expenses from consist of:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|---|--|-------------------------------------|-------------------------------------|
| Salaries, wages and other employee benefits (Notes 17 and 22) | ₱45,384 | ₱68,618 | ₱48,240 |
| Provision for impairment loss on receivables (Note 8) | 17,298 | 15,163 | – |
| Outside services | 6,858 | 16,552 | 10,255 |
| Representation and entertainment | 2,876 | 2,628 | 2,295 |

(Forward)



| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|--|--|-------------------------------------|-------------------------------------|
| Taxes and licenses | ₱2,491 | ₱15,343 | ₱10,186 |
| Communication, light and water | 2,817 | 2,868 | 5,492 |
| Depreciation and amortization (Note 12) | 1,850 | 5,364 | 2,471 |
| Rent | 1,766 | 2,801 | 987 |
| Insurance | 1,665 | 219 | - |
| Travel and transportation | 1,457 | 4,706 | 2,170 |
| Materials and consumables | 710 | 799 | 825 |
| Repairs and maintenance | 580 | 1,523 | 2,165 |
| Provision for impairment loss on real estate for sale and development (Note 9) | - | 925 | - |
| Others | 7,690 | 18,062 | 6,513 |
| | ₱93,442 | ₱155,571 | ₱91,599 |

Others include professional fees, training and development and other miscellaneous charges.

21. Personnel Costs

The components of employee benefits from continuing operations presented under “General and administrative expenses” account (see Note 20) in the consolidated statements of income are as follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|---|--|-------------------------------------|-------------------------------------|
| Salaries and wages | ₱29,757 | ₱48,277 | ₱21,939 |
| Allowances and other employee benefits | 12,132 | 10,724 | 21,060 |
| Retirement benefits (Note 17) | 1,631 | 6,376 | 5,241 |
| | ₱43,520 | ₱65,377 | ₱48,240 |

22. Other Income (Charges)

Other income (charges) consists of:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|---|--|-------------------------------------|-------------------------------------|
| Management fees | ₱8,610 | ₱15,423 | ₱13,883 |
| Interment income | 119 | 477 | 401 |
| Net foreign exchange gains (losses) | 30 | 57 | (31) |
| Rent income (Notes 13) | - | 893 | 1,114 |
| Gain on disposal of property and equipment (Note 12) | - | - | 3,500 |
| Others | 8,836 | 4,972 | 8,537 |
| | ₱17,595 | ₱21,822 | ₱27,404 |



23. Income Taxes

- a. Provision for (benefit from) income taxes comprise the following:

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|----------|------------------------------|-----------------------|-----------------------|
| | (Three Months) | (One Year) | (One Year) |
| Current | ₱582 | ₱1,347 | ₱17,015 |
| Deferred | (12,130) | (14,072) | (7,666) |
| | (₱11,548) | (₱12,725) | ₱9,349 |

- b. The components of the recognized deferred tax assets and liabilities represent the tax effects of the following temporary differences:

| | December 31, 2016 | | September 30, 2016 | |
|---|--|--|--|--|
| | Net Deferred Income Tax Asset ⁽¹⁾ | Net Deferred Income Tax Liabilities ⁽¹⁾ | Net Deferred Income Tax Asset ⁽³⁾ | Net Deferred Income Tax Liabilities ⁽⁴⁾ |
| Deferred tax assets on: | | | | |
| NOLCO | ₱17,736 | ₱11,439 | ₱9,587 | 8,167 |
| Customers' deposit | 11,995 | - | 8,674 | - |
| Allowance for: | | | | |
| Impairment losses of receivables | 8,418 | - | 5,418 | - |
| Impairment losses on investments in associates | 1,384 | - | 1,384 | - |
| Retirement liability | 5,846 | - | 5,357 | - |
| Excess MCIT | 1,308 | 161 | 1,275 | 206 |
| Various accruals | 465 | - | 737 | 3 |
| | 47,152 | 11,600 | 32,432 | 8,376 |
| Deferred tax liabilities on: | | | | |
| Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting | (14,290) | - | (8,114) | - |
| Appraisal increase of land | - | (20,444) | - | (13,280) |
| Prepaid commissions | (153) | - | (248) | - |
| Borrowing costs | (32) | - | - | - |
| Net unrealized foreign exchange gain | (6) | (1) | - | (32) |
| | (14,481) | (20,445) | (8,362) | (13,312) |
| Net deferred tax assets | ₱32,671 | (₱8,845) | ₱24,070 | (₱4,936) |

⁽¹⁾ Pertain to RCI, RLC and AHRC.

⁽²⁾ Pertain to RVHC.

⁽³⁾ Pertain to RCI and RLC.

⁽⁴⁾ Pertain to RVHC and AHRC.

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|---------------------------------------|------------------------------|-----------------------|-----------------------|
| | (Three Months) | (One Year) | (One Year) |
| Through profit or loss | (₱12,130) | (₱14,072) | (₱7,666) |
| Through other comprehensive income | 7,164 | (66) | - |
| | (₱4,966) | (₱14,138) | (₱7,666) |



- d. Deferred tax assets related to the following deductible temporary differences, carryforward benefits of NOLCO and MCIT were not recognized:

| | December 2016 | September 2016 |
|-------------------------------------|----------------|----------------|
| NOLCO | ₱44,503 | ₱38,124 |
| Allowance for impairment losses on: | | |
| Investments in associates | 14,262 | 14,262 |
| Receivables | 2,813 | 2,813 |
| AFS financial assets | 206 | 206 |
| Excess MCIT | 83 | 267 |

Management believes that it may not be probable that taxable profit will be sufficiently available in the future against which the deferred tax assets may be utilized.

Details of benefits arising from NOLCO and MCIT and the corresponding analysis of the tax effect are as follow:

NOLCO

| Period Incurred | Balance at Beginning of Period | Additional | Expired | Balance at End of the Period | Tax Effect | Available Until |
|--------------------|--------------------------------|-----------------|------------------|------------------------------|----------------|-----------------|
| September 30, 2014 | ₱24,338 | ₱- | (₱24,338) | ₱- | ₱- | 31-Dec-16 |
| September 30, 2015 | 30,597 | - | - | 30,597 | 9,179 | 31-Dec-17 |
| September 30, 2016 | 132,025 | - | - | 132,025 | 39,608 | 31-Dec-18 |
| December 31, 2016 | - | 67,265 | - | 67,265 | 20,180 | 31-Dec-19 |
| | ₱186,960 | ₱ 67,265 | (₱24,338) | ₱229,887 | ₱68,967 | |

MCIT

| Period Incurred | Balance at Beginning of Period | Additional | Expired | Balance at End of the Period | Tax Effect | Available Until |
|--------------------|--------------------------------|-------------|---------------|------------------------------|---------------|-----------------|
| September 30, 2014 | ₱184 | ₱- | (₱184) | ₱- | ₱- | 31-Dec-16 |
| September 30, 2015 | 15 | - | - | 15 | 15 | 31-Dec-17 |
| September 30, 2016 | 1,343 | - | - | 1,343 | 1,343 | 31-Dec-18 |
| December 31, 2016 | - | 582 | - | 582 | 582 | 31-Dec-19 |
| | ₱1,542 | ₱582 | (₱184) | ₱ 1,940 | ₱1,940 | |

- e. The reconciliation between the income tax expense (benefit) from continuing operations computed at the applicable statutory tax rate and income tax expense presented in the consolidated statements of income follows:

| | December 31, 2016 (Three Months) | September 30, 2016 (One Year) | September 30, 2015 (One Year) |
|--|--|-------------------------------------|-------------------------------------|
| Income tax expense (benefit) at statutory rate | (₱32,470) | (₱27,174) | ₱43,340 |
| Changes in unrecognized deferred tax assets | 6,195 | 9,518 | (4,343) |
| Adjustments resulting from: | | | |
| Expired NOLCO | 7,301 | 12,179 | 13,537 |
| Expired MCIT | 184 | 15 | - |
| Tax effects of: | | | |
| Equity in loss (net earnings) of associates | 7,960 | (5,162) | (1,147) |

(Forward)



| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|---|------------------------------|-----------------------|-----------------------|
| | (Three Months) | (One Year) | (One Year) |
| Nondeductible interest expense | ₱627 | ₱59 | ₱8 |
| Interest income already subjected to final tax and dividend income exempt from tax | (12) | 203 | (18) |
| Nontaxable gain on change in fair value of investment properties | - | (22,617) | (16,596) |
| Gain (loss) on deemed disposal of an associate | - | 22,104 | (25,432) |
| Gain on step up acquisition of a subsidiary | - | (2,085) | - |
| Others | (1,333) | 235 | - |
| Income tax expense (benefit) | (₱11,548) | (₱12,725) | ₱9,349 |

24. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share are computed as follows:

| | December 31, 2016 | September 30, 2016 | September 30, 2015 |
|---|------------------------------|-----------------------|-----------------------|
| | (Three Months) | (One Year) | (One Year) |
| Net income (loss) attributable to the equity holders of the Parent Company: | (₱89,987) | (₱71,445) | ₱135,157 |
| Weighted average number of shares issued and outstanding: | | | |
| Issued and outstanding ordinary shares | 1,973,798,202 | 1,973,798,202 | 1,973,798,202 |
| Effect of issuance of treasury shares | 11,280 | 1,667 | 16,666 |
| | 1,973,809,482 | 1,973,799,869 | 1,973,814,868 |
| Basic/diluted earnings (loss) per share: | (₱0.05) | (₱0.04) | ₱0.07 |

There are no potential dilutive common shares as at December 31, 2016, September 30, 2016 and 2015.

25. Contingencies and Commitments

Contingencies

Land Properties Subjected to the CARL

The CARL provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOA) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.



Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOA. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three haciendas. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOA that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the exemption with the CARL of its three haciendas in Nasugbu, Batangas. The application for exemption was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu, Batangas as a Tourist Zone. The Parent Company likewise filed applications for exemption for certain smaller land areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that the PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court noted that the Parent Company "can only look to the provisions of the Tourism Act and not to the PP No. 1520, for possible exemption."

On February 8, 2011, the Supreme Court denied the Parent Company's Second MR and affirmed with finality its December 2009 decision.

Consequently, in April 2010, the Parent Company filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare 14 specific geographical areas within the landholdings of the Parent Company as tourism zones. To date, this application has remained unacted upon by the TIEZA.

In September 2011, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage (NOC) on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (Republic Act - RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

On May 7, 2016, the DAR denied the application for exemption filed by the Parent Company for the 285.9 hectares of land located in Nasugbu, Batangas. On June 27, 2016, the Parent Company filed an MR and is now pending resolution by the DAR.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court.

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.



On May 14, 2013, the BOD approved to authorize management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. However, the said negotiations have not yet commenced as the possible VOS is merely an option that the Company will consider after exhausting all means possible. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP/CARL.

On December 13, 2013, the BOD of the Parent Company approved management's request for reconfirmation of management's plan to explore the government's VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government's VOS program. As at the date of the report, there is no agreement yet with the DAR on the properties approved for possible VOS.

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial position and performance of the Group, except for the disputed claims for which the Group did not recognize a provision for losses for the three months ended December 31, 2016, and for the years ended September 30, 2016 and 2015.

Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJPI for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

As at December 31, 2016 and September 30, 2016, the Project is fully sold. Outstanding balance due from VJPI amounted to ₱1.0 as at December 31, 2016 and September 30, 2016 is included as part of due from related parties and presented in the consolidated statements of financial position (see Note 19).

Lease-back Guarantee

During the year ended September 30, 2014, RLC entered into a lease-back guarantee with buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The hotel operator will be A1HRC, wholly owned subsidiary of the RLC.

Lease Commitments

The Parent Company has an existing lease agreement for a portion of its investment property with a third party for a period of three cropyears until December 20, 2016. Rent income recognized amounted to ₱0.9 million for the years ended September 30, 2016 and 2015 (see Note 13).

Future minimum lease receivable for less than one year amounted to ₱0.9 million as at December 31, 2016 and September 30, 2016. Future minimum lease receivable after one year but not more than five years amounted to ₱0.9 million as at September 30, 2016.

Unused Credit Lines

As at December 31, 2016 and September 30, 2016, the Group has unused lines of credit with local banks amounting to ₱978.4 million and ₱2,186.0 million, respectively (see Notes 14 and 15).



26. Financial Instruments

Risk Management, Objectives and Policies

The principal financial instruments comprise of cash in banks and cash equivalents, receivables and payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the financial instruments are liquidity risk, interest rate risk and credit risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 14 and 15).

The tables below summarize the maturity profile of the financial liabilities based on contractual undiscounted payments and the related financial assets used for liquidity management as at December 31, 2016 and September 30, 2016:

| | December 31, 2016 | | | | | Total |
|--|-------------------|--------------------|------------------|-------------------|-----------------|------------------|
| | On Demand | Less than One Year | One to Two Years | Two to Four Years | Over Five Years | |
| Short-term borrowings | P- | P1,419,132 | P- | P- | P- | P1,419,132 |
| Trade and other payables** | - | 427,506 | - | - | - | 427,506 |
| Due to related parties | 63,196 | - | - | - | - | 63,196 |
| Dividends payable | 1,202 | - | - | - | - | 1,202 |
| Long-term borrowings | - | 215,705 | 139,285 | 1,652,324 | 23,504 | 2,030,818 |
| | 64,398 | 2,062,343 | 139,285 | 1,652,324 | 23,504 | 3,941,854 |
| Cash in bank and short-term placements | P63,875 | P- | P- | P- | P- | P63,875 |
| Trade receivables*** | - | 192,311 | 66,579 | - | - | 258,890 |
| Due from: | | | | | | |
| Related parties | 48,133 | - | - | - | - | 48,133 |
| Employees | 6,234 | - | - | - | - | 6,234 |
| Advances to suppliers | 12,742 | - | - | - | - | 12,742 |
| Dividends receivable | 4,624 | - | - | - | - | 4,624 |
| Other receivables | 7,919 | - | - | - | - | 7,919 |
| | P143,527 | P192,311 | P66,579 | P- | P- | P402,417 |

* Includes expected interest payments for short-term and long-term borrowings amounting to P8.9 million and P104.4 million, respectively.

** Excludes payable to government agencies amounting to P21.3 million.

*** Includes noncurrent portion of installment contract receivables P66.6 million.



| | September 30, 2016 | | | | | |
|---|--------------------|-----------------------|---------------------|----------------------|--------------------|------------|
| | On Demand | Less than One Year | One to Two Years | Two to Four Years | Over Five Years | Total |
| Short-term borrowings* | P- | P1,242,310 | P- | P- | P- | P1,242,310 |
| Trade and other payables** | 54,088 | 263,680 | - | - | - | 317,768 |
| Due to related parties | 54,205 | - | - | - | - | 54,205 |
| Dividends payable | 5,646 | - | - | - | - | 5,646 |
| Long-term borrowings | - | 88,617 | 167,224 | 214,643 | 1,220,024 | 1,690,508 |
| | P113,939 | P1,594,607 | P167,224 | P214,643 | P1,220,024 | P3,310,437 |
| Cash in bank and short-term placements | P103,797 | P- | P- | P- | P- | P103,797 |
| Trade receivables*** | - | 253,246 | 44,050 | - | - | 297,296 |
| Due from: | | | | | | |
| Related parties | 74,642 | - | - | - | - | 74,642 |
| Employees | 7,834 | - | - | - | - | 7,834 |
| Advances to supplier | 5,376 | - | - | - | - | 5,376 |
| Dividends receivable | 4,624 | - | - | - | - | 4,624 |
| Other receivables | 23,764 | - | - | - | - | 23,764 |
| | P220,037 | P253,246 | P44,050 | P- | P- | P517,333 |

* Includes expected interest payments for short-term and long-term borrowings amounting to P4.0 million and P100.3 million, respectively.

** Excludes payable to government agencies amounting to P11.9 million.

*** Includes noncurrent portion of installment contract receivables amounting to P44.1 million.

Credit risk

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The table below shows the maximum exposure to credit risk of the Group shown at gross before the effect of mitigation through collateral agreements.



| | December 31, 2016 | September 30, 2016 |
|------------------------------------|----------------------|-----------------------|
| Cash in banks and cash equivalents | P63,875 | P103,797 |
| Trade receivables* | 258,890 | 296,321 |
| Due from: | | |
| Related parties* | 48,133 | 62,001 |
| Employees | 6,234 | 7,834 |
| Advances to supplier | 12,742 | 5,376 |
| Dividends receivable | 4,624 | 4,624 |
| Other receivables* | 7,919 | 8,814 |
| AFS financial assets | 7,534 | 7,534 |
| | P409,951 | P496,301 |

* Net of allowance for impairment losses totaling P45.9 million and P28.6 million as of December 31, 2016 and September 30, 2016.

Collaterals and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Credit quality per class of financial assets

The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

The tables below show the credit quality of financial assets and an aging analysis of past due but not impaired accounts:

| | December 31, 2016 | | | | | | | Total |
|------------------------------------|-------------------------------|-------------------|----------------------|---------------------------|-----------------|---------------------|-----------------|-------|
| | Neither Past Due nor Impaired | | | Past Due but not Impaired | | Impaired | | |
| | High Grade | Standard Grade | Substandard Grade | Over 30 Days | Over 90 Days | Financial Assets | | |
| Cash in banks and cash equivalents | P63,875 | P- | P- | P- | P- | P- | P63,875 | |
| Trade receivables | 258,890 | - | - | - | - | 6,105 | 264,995 | |
| Due from: | | | | | | | | |
| Related parties | 48,133 | - | - | - | - | 12,641 | 60,774 | |
| Employees | 6,234 | - | - | - | - | - | 6,234 | |
| Advances to supplier | 12,742 | - | - | - | - | - | 12,742 | |
| Dividends receivable | 4,624 | - | - | - | - | - | 4,624 | |
| Other receivables | 7,919 | - | - | - | - | 27,118 | 35,037 | |
| AFS financial assets | 7,534 | - | - | - | - | 688 | 8,222 | |
| | P409,951 | P- | P- | P- | P- | P46,552 | P456,503 | |

| | September 30, 2016 | | | | | | | Total |
|------------------------------------|-------------------------------|-------------------|----------------------|---------------------------|-----------------|---------------------|-----------------|-------|
| | Neither Past Due nor Impaired | | | Past Due but not Impaired | | Impaired | | |
| | High Grade | Standard Grade | Substandard Grade | Over 30 Days | Over 90 Days | Financial Assets | | |
| Cash in banks and cash equivalents | P103,797 | P- | P- | P- | P- | P- | P103,797 | |
| Trade receivables | 218,192 | 75,513 | - | 424 | 2,192 | 975 | 297,296 | |
| Due from: | | | | | | | | |
| Related parties | 62,001 | - | - | - | - | 12,641 | 74,642 | |
| Employees | 7,834 | - | - | - | - | - | 7,834 | |
| Advances to supplier | 5,376 | - | - | - | - | - | 5,376 | |
| Dividends receivable | 4,624 | - | - | - | - | - | 4,624 | |
| Other receivables | 8,814 | - | - | - | - | 14,950 | 23,764 | |
| AFS financial assets | 7,534 | - | - | - | - | 688 | 8,222 | |
| | P418,172 | P75,513 | P- | P424 | P2,192 | P29,254 | P525,555 | |



Impairment assessment

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectability.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The following table demonstrates the sensitivity analysis to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact of floating rate borrowings) and equity for the three months ended December 31, 2016 and for the year ended September 30, 2016. The estimates are based on the outstanding interest bearing liabilities of the Group with floating interest rate as at December 31, 2016 and September 30, 2016.

| | Change in Basis Points (bps) | Effect on Income before Income Tax |
|--------------------------|---|---|
| December 31, 2016 | +/-50 bps | +/-P14,143 |
| September 30, 2016 | +/-50 bps | +/-P3,980 |

Interest on financial liabilities with fixed interest rate is fixed until the maturity of the instrument (see Notes 14 and 15).

The other financial instruments of the Group that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to interest rate risk.

Capital Management

The primary objective of the capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The dividend declaration is dependent on availability of retained earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the three months ended December 31, 2016 and for the year ended September 30, 2016.



Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

| | December 31, 2016 | September 30, 2016 |
|------------------------------|------------------------------|-----------------------|
| Total liabilities | ₱3,878,812 | ₱3,240,983 |
| Total equity | 7,381,887 | 7,461,730 |
| Total liabilities and equity | ₱11,251,854 | ₱10,702,713 |
| Debt-to-equity ratio | 0.53:1.0 | 0.43:1.0 |

On December 8, 2016, the Parent Company obtained a letter from the creditor bank approving the suspension of the DSCR requirement until end of 2017.

27. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring and non-recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include AFS financial assets. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position in particular circumstance. These include investment properties and land under property and equipment at revalued amount.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets which are investment properties and land under property and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussion with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.



The following is a comparison by category of the carrying amount and fair values of the Group's financial instruments that are reflected in the consolidated financial statements as of:

| | December 31, 2016 | | September 30, 2016 | |
|------------------------------------|-------------------|-------------------|--------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets | | | | |
| Cash on hand | ₱393 | ₱393 | ₱318 | ₱318 |
| Loans and receivables: | | | | |
| Cash in banks and cash equivalents | 63,482 | 63,482 | 103,797 | 103,797 |
| Trade receivables | 258,890 | 258,890 | 297,296 | 297,296 |
| Due from: | | | | |
| Related parties | 48,133 | 48,133 | 74,642 | 74,642 |
| Employees | 6,234 | 6,234 | 7,834 | 7,834 |
| Advances to supplier | 12,742 | 12,742 | 5,376 | 5,376 |
| Dividends receivable | 4,624 | 4,624 | 4,624 | 4,624 |
| Other receivables | 7,919 | 7,919 | 23,764 | 23,764 |
| AFS financial assets | 7,534 | 7,534 | 8,222 | 8,222 |
| | ₱409,951 | ₱409,951 | ₱525,873 | ₱525,873 |
| Financial Liabilities | | | | |
| Other financial liabilities: | | | | |
| Short-term borrowings | ₱1,410,226 | ₱1,410,226 | ₱1,238,300 | ₱1,238,300 |
| Trade and other payables* | 427,506 | 427,506 | 317,768 | 317,768 |
| Due to related parties | 63,230 | 63,230 | 54,205 | 54,205 |
| Dividends payable | 1,202 | 1,202 | 5,646 | 5,646 |
| Long-term borrowings | 1,895,000 | 1,895,000 | 1,590,224 | 1,590,224 |
| | ₱3,797,130 | ₱3,797,130 | ₱3,206,143 | ₱3,206,143 |

*Excludes payable to government agencies amounting to ₱21 million and ₱11.9 million as of December 31, 2016 and September 30, 2016, respectively.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties

The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Long-term borrowings

Fair values of long-term borrowings as at December 31, 2016 and September 30, 2016 were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at December 31, 2016 and September 30, 2016.

Investment Properties

The valuation technique used for the investment properties and land under property and equipment is Sales Comparison Approach which is a process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison.



The table below summarizes the significant unobservable input valuation for investment properties and land under property and equipment held by the Company.

| Asset measured at fair value (Level 3) | Significant unobservable Inputs | Interrelationship between key unobservable input and fair value measurement |
|---|--|--|
| Investment properties | | |
| December 31, 2016 | Price per square meter. Estimates range from is about | The estimated fair value would increase (decrease) if the price per square meter increase (decrease) |
| September 30, 2016 | ₱138 per sqm to ₱1500 per sqm | |
| Land under property and equipment | | |
| December 31, 2016 | Price per square meter. Estimates range from is about | The estimated fair value would increase (decrease) if the price per square meter increase (decrease) |
| September 30, 2016 | ₱52,000 per sqm to ₱155,000 per sqm | |
| | Price per square meter. Estimates range from is about | The estimated fair value would increase (decrease) if the price per square meter increase (decrease) |
| | ₱49,100 per sqm to ₱147,900 per sqm | |

There are no transfers to Level 1 and Level 2 fair value measurement.

28. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries, namely: AHC, SMMSI, RVHC, AHRC and A1HRC.

b. Hotel

RVHC is incorporated primarily to build and own a minimum of five "GoHotels" (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years. In October 2016, Manila Airport Road GoHotel started its commercial operations. RVHC offers 24/7 hotel services to all customers of its budget hotel brand "GoHotels". The first five hotels are located in Manila Airport Road, North EDSA, Cubao, Ermita and Timog -Quezon City.

c. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and RGEC, an entity established primarily for renewable energy and RSAI, an entity established primarily for the manufacture of coconut products and UVC, a leasing company.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses



are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income.

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

The Group's main revenue stream comes from the real estate. The real estate segment's customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepaid expenses and property and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers' deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

The following tables present information about the Group's operating segments:

| | December 31, 2016 (Three Months) | | | | Consolidated |
|--|----------------------------------|-----------------|------------------|------------------|------------------|
| | Real Estate | Hotel | Others | Eliminations | Balances |
| Sale of Real Estate | ₱26,984 | ₱10,470 | ₱- | ₱- | ₱37,454 |
| Cost of Real Estate Sales | (21,071) | (3,177) | (62) | - | (24,310) |
| Interest income | 1,674 | 1 | 21 | - | 1,696 |
| Interest expense | (3,090) | (1,631) | (4,783) | - | (9,504) |
| Others | (28,242) | (14,811) | (43,981) | - | (87,034) |
| Loss before income tax | (23,745) | (9,148) | (48,805) | - | (81,698) |
| Income tax benefit | 6,581 | 583 | 4,384 | - | 11,548 |
| Segment Loss | (17,164) | (8,565) | (44,421) | - | (70,151) |
| Equity in net earnings of associates and a joint venture | 1,623 | - | - | (28,155) | (26,532) |
| Consolidated Net Loss | (₱15,541) | (₱8,565) | (₱44,421) | (₱28,155) | (₱96,682) |
| Other Information | | | | | |
| Major costs and expenses - | | | | | |
| Depreciation and amortization | ₱1,233 | ₱194 | ₱423 | ₱- | ₱1,850 |
| Additions to noncurrent assets: | | | | | |
| Property and equipment | 302,717 | 198,436 | - | - | 501,153 |

| | As of December 31, 2016 | | | | Consolidated |
|-------------------------------|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | Real Estate | Hotel | Others | Eliminations | Balances |
| Assets and Liabilities | | | | | |
| Current assets | ₱1,318,754 | ₱123,308 | ₱676,540 | (₱547,254) | ₱1,571,348 |
| Noncurrent assets | 613,826 | 2,178,821 | 7,344,022 | (447,318) | 9,689,351 |
| Total Assets | 1,932,580 | 2,302,129 | 8,020,562 | (994,572) | 11,260,699 |
| Current liabilities | 750,809 | 336,997 | 1,565,074 | (530,567) | 2,122,313 |
| Noncurrent liabilities | 517,344 | 1,229,378 | 17,031 | (7,254) | 1,756,499 |
| Total Liabilities | ₱1,268,153 | ₱1,566,375 | ₱1,582,105 | (₱537,821) | ₱3,878,812 |



| September 30, 2016 (One Year) | | | | | |
|--|------------------|-----------------|---------------|------------------|-----------------------|
| | Real Estate | Hotel | Others | Eliminations | Consolidated Balances |
| Sale of Real Estate | P193,915 | P- | P- | P- | P193,915 |
| Cost of Real Estate Sales | (125,967) | - | - | - | (125,967) |
| Interest income | 7,460 | 63 | 2,246 | - | 9,769 |
| Interest expense | (12,588) | - | (18,163) | - | (30,751) |
| Others | (95,104) | (9,481) | 23,511 | (73,680) | (154,754) |
| Income (loss) before income tax | (32,284) | (9,418) | 7,594 | (73,680) | (107,788) |
| Income tax benefit | 9,703 | 2,426 | 596 | - | 12,725 |
| Segment Income (Loss) | (22,581) | (6,992) | 8,190 | (73,680) | (95,063) |
| Equity in net earnings of associates and a joint venture | (8,265) | - | - | 25,472 | 17,207 |
| Consolidated Net Income (Loss) | (P30,846) | (P6,992) | P8,190 | (P48,208) | (P77,856) |
| Other Information | | | | | |
| Major costs and expenses - | | | | | |
| Depreciation and amortization | P3,888 | P194 | P1,476 | P- | P5,364 |
| Additions to noncurrent assets: | | | | | |
| Property and equipment | 558,303 | 1,368,734 | 93,066 | 4,642 | 2,024,745 |
| Investments in associates and a joint venture | 86,000 | - | - | (274,282) | (188,282) |

| As of September 30, 2016 | | | | | |
|-------------------------------|-------------------|-------------------|-------------------|---------------------|-----------------------|
| | Real Estate | Hotel | Others | Eliminations | Consolidated Balances |
| Assets and Liabilities | | | | | |
| Current assets | P1,275,523 | P285,392 | P806,431 | (P758,694) | P1,608,651 |
| Noncurrent assets | 585,481 | 1,813,194 | 7,482,812 | (792,362) | 9,089,126 |
| Total Assets | 1,861,004 | 2,098,586 | 8,289,243 | (1,551,056) | 10,697,777 |
| Current liabilities | 656,046 | 407,180 | 1,368,816 | (741,742) | 1,690,300 |
| Noncurrent liabilities | 523,521 | 1,477,893 | 58,200 | (513,867) | 1,545,747 |
| Total Liabilities | P1,179,567 | P1,885,073 | P1,427,016 | (P1,255,609) | P3,236,047 |



ROXAS AND COMPANY, INC. AND SUBSIDIARIES
Index to Consolidated Financial Statements
As at and For the Year Ended December 31, 2016

| | Description | Page |
|--------------|--|------|
| Schedule I | | |
| | A Financial Assets | N/A |
| | B Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties) | 1 |
| | C Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements | 2 |
| | D Intangible Assets - Other Assets | N/A |
| | E Long-term Borrowings | 3 |
| | F Indebtedness to Related Parties (Long-Term Loans from Related Companies) | N/A |
| | G Guarantees of Securities of Other Issuers | N/A |
| | H Capital Stock | 4 |
| Schedule II | Financial Soundness Indicators | 5 |
| Schedule III | Corporate Structure | 6 |
| Schedule IV | Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C) | 7 |
| Schedule V | Schedule of all effective standards and interpretation (Part 1, 4J) | 8 |

SCHEDULE B**ROXAS AND COMPANY, INC. AND SUBSIDIARIES**

**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016
AMOUNTS IN THOUSANDS**

| | Balance at beginning of year | Additions | Amounts collected | Amounts written off | Current | Noncurrent | Balance at end of year |
|---|------------------------------------|-----------|----------------------|------------------------|---------|------------|---------------------------|
| Various employees (educational loans/ advances) | ₱6,128 | ₱- | ₱6,128 | ₱- | ₱- | ₱- | ₱- |

SCHEDULE C

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE
ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2016
AMOUNTS IN THOUSANDS

| Name and designation of debtor | Balance at September 30, 2016 | Additions | Amount collected | Current | Noncurrent | Balance at December 31, 2016 |
|--|-------------------------------------|-----------------|---------------------|-----------------|------------|------------------------------------|
| Anya Hospitality Corporation | ₱30,796 | ₱735 | ₱– | ₱31,531 | ₱– | ₱31,531 |
| Anya Hotels and Resorts Corporation | 212,069 | 37,627 | – | 249,696 | – | 249,696 |
| AHR1 Hotels & Resorts Corporation | 3,812 | 5,617 | – | 9,429 | – | 9,429 |
| Roxas Green Energy, Inc. | 7,514 | 30 | – | 7,544 | – | 7,544 |
| Roxaco Land Corporation | 69 | 18,266 | – | 18,335 | – | 18,335 |
| Roxaco-Vanguard Hotels Corporation | 142 | 38,149 | – | 38,291 | – | 38,291 |
| SAMG Memorial Management & Services Inc. | 1,705 | – | 803 | 902 | – | 902 |
| United Ventures Corporation | 222 | – | – | 222 | – | 222 |
| | ₱256,329 | ₱100,424 | ₱803 | ₱355,950 | ₱– | ₱355,950 |

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
LONG-TERM BORROWINGS
AS AT DECEMBER 31, 2016
AMOUNTS IN THOUSANDS

| Title of issue and type of obligation | Amount shown under caption “Current portion of long-term borrowings” in related consolidated statement of financial position | Amount shown under caption “Long-term borrowings” in related consolidated statement of financial position |
|---------------------------------------|--|--|
| Loans payable to local banks: | | |
| Bank of the Philippine Islands (BPI) | ₱167,000 | ₱1,188,000 |
| Banco de Oro Unibank, Inc. | 31,390 | 540,000 |
| | ₱198,390 | ₱1,728,000 |

The details, interest, loan covenants and other terms and conditions, among others, are discussed in Note 15 to consolidated financial statements.

ROXAS AND COMPANY, INC. AND SUBSIDIARIES

CAPITAL STOCK
DECEMBER 31, 2016
AMOUNTS IN THOUSANDS

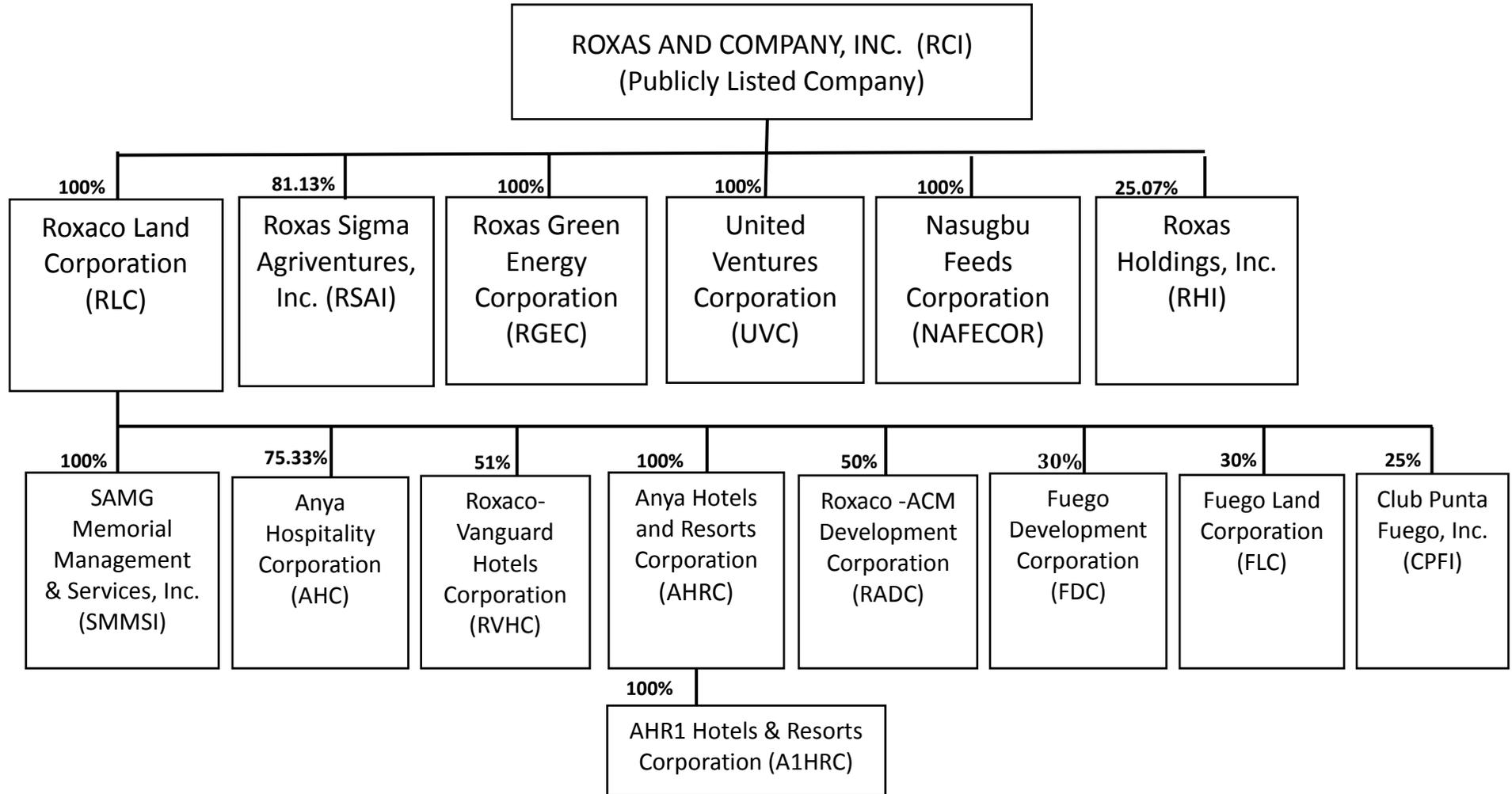
| Title of issue | Number of shares authorized | Number of shares issued and outstanding as shown under related consolidated statement of financial position caption | Number of shares reserved for options, warrants, conversion, and other rights | Number of shares held by related parties | Directors and officers | Others |
|---|--------------------------------|---|--|--|---------------------------|-----------|
| Common stock - "Class A" at ₱1 par value | 3,375,000 | 1,973,867 | – | – | 5,627 | 1,968,240 |

SCHEDULE II
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2016

| | December 2016 | September 2016 |
|-------------------------------------|----------------------|-----------------------|
| Liquidity ratio | | |
| Current ratio | 0.74:1 | 0.84:1 |
| Solvency ratio | | |
| Debt to equity ratio | 0.53:1 | 0.43:1 |
| Asset to Equity ratio | 1.53 | 1.43 |
| Debt Service Coverage ratio | N/A* | N/A* |
| Interest Rate Coverage ratio | (10.39) | (1.95) |
| Probability ratios | | |
| Return on Assets | (0.86%) | (0.73%) |
| Return on Equity | (1.31%) | (1.04%) |

**On December 8, 2016, the Parent Company obtained a letter from the creditor bank approving the suspension of the DSCR requirement effective for the fiscal year ended September 30, 2016 and for the period starting October 1, 2016 to the end of calendar year December 31, 2017.*

SCHEDULE III
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
CORPORATE STRUCTURE
DECEMBER 31, 2016



SCHEDULE IV
ROXAS AND COMPANY, INC.

**SUPPLEMENTARY SCHEDULE OF UNAPPROPRIATED
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE THREE MONTHS ENDED DECEMBER 31, 2016**

| | |
|--|--------------------|
| Unappropriated retained earnings at beginning of period | ₱802,530,299 |
| Cumulative unrealized fair value gain on investment properties | (148,328,319) |
| Deferred tax assets as at end of September 30, 2016 | (1,059,941) |
| <hr/> Unappropriated retained earnings at beginning of period as adjusted | <hr/> 653,142,039 |
| Net income during the year closed to retained earnings | (10,931,918) |
| Add (deduct) unrealized income (charges): | |
| Rental income based on straight-line amortization | (7,513,937) |
| Reversal of deferred tax assets | (175,052) |
| Reversal of appropriation for the period | 117,613 |
| <hr/> | <hr/> (18,503,294) |
| <hr/> Unappropriated retained earnings available for dividend declaration at end of period | <hr/> ₱634,638,745 |

SCHEDULE V
ROXAS AND COMPANY, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS
AND INTERPRETATIONS

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|---|--|----------------|--------------------------|-----------------------|
| Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| PFRS Practice Statement Management Commentary | | | | ✓ |
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 (Revised) | First-time Adoption of Philippine Financial Reporting Standards | | | ✓ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | | | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | | | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | | | ✓ |
| | Amendments to PFRS 1: Government Loans | | | ✓ |
| | Amendment to PFRS 1: Meaning of Effective PFRSs | ✓ | | |
| PFRS 2 | Share-based Payment | ✓ | | |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | ✓ | | |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | ✓ | | |
| | Amendment to PFRS 2: Definition of Vesting Condition | | | ✓ |
| | Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* | | ✓ | |
| PFRS 3 (Revised) | Business Combinations | ✓ | | |
| | Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination | ✓ | | |
| | Amendment to PFRS 3: Scope Exceptions for Joint Arrangements | | | ✓ |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PFRS 4: Applying PFRS 9 with PFRS 4* | | ✓ | |

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|--|---|----------------|--------------------------|-----------------------|
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | ✓ | | |
| | Amendment to PFRS 5: Changes in Methods of Disposal | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | | | ✓ |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| | Amendments to PFRS 7: Transition | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | | |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | ✓ | | |
| | Amendment to PFRS 7: Servicing Contracts | | | ✓ |
| | Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ |
| PFRS 8 | Operating Segments | ✓ | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | | | ✓ |
| PFRS 9 | Financial Instruments* | | ✓ | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | | ✓ | |
| | PFRS 9, Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version) | | | ✓ |
| | PFRS 9, Financial Instruments (2015 or final version) | | ✓ | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | ✓ | | |
| | Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception | | | ✓ |
| | Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | | ✓ | |
| PFRS 11 | Joint Arrangements | ✓ | | |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | ✓ | | |

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|--|---|----------------|--------------------------|-----------------------|
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception | | | ✓ |
| | Amendment to PFRS 12, Clarification of the Scope of the Standard* | | ✓ | |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| | Amendment to PFRS 13: Short-term Receivables and Payables | ✓ | | |
| | Amendment to PFRS 13: Portfolio Exception | ✓ | | |
| PFRS 14 | Regulatory Deferral Accounts | | | ✓ |
| PFRS 15 | Revenue from Contracts with Customers* | | ✓ | |
| PFRS 16 | Leases* | | ✓ | |
| Philippine Accounting Standards | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | | | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | | |
| | Amendments to PAS 1: Disclosure Initiative | ✓ | | |
| PAS 2 | Inventories | ✓ | | |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| | Amendments to PAS 7: Disclosure Initiative* | | ✓ | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | ✓ | | |
| | Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses* | | ✓ | |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| | Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation | | | ✓ |
| | Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | ✓ | | |
| | Amendments to PAS 16: Bearer Plants | | | ✓ |

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|--|--|----------------|--------------------------|-----------------------|
| PAS 17 | Leases | ✓ | | |
| PAS 18 | Revenue | ✓ | | |
| PAS 19 (Amended) | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contribution | ✓ | | |
| | Amendments to PAS 19: Regional market issue regarding discount rate | ✓ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | | | ✓ |
| | Amendment to PAS 21: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | ✓ | | |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| | Amendments to PAS 24: Key Management Personnel | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Amended) | Separate Financial Statements | ✓ | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | ✓ | | |
| | Amendments to PAS 28: Investment Entities | | | ✓ |
| | Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | | ✓ | |
| | Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value* | | ✓ | |
| 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 | ✓ | | |
| | Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report' | | | ✓ |

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|--|--|----------------|--------------------------|-----------------------|
| 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 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | ✓ |
| | Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | ✓ | | |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | ✓ | | |
| | Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property | ✓ | | |
| | Amendments to PAS 40: Transfers of Investment Property* | | ✓ | |
| PAS 41 | Agriculture | | | ✓ |
| | Amendments to PAS 41: Bearer Plants | | | ✓ |

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|--|---|----------------|--------------------------|-----------------------|
| Philippine Interpretations | | | | |
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | ✓ | | |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | | | ✓ |
| IFRIC 10 | Interim Financial Reporting and Impairment | ✓ | | |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | 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 15 | Agreements for the Construction of Real Estate | | | ✓ |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| IFRIC 21 | Levies | ✓ | | |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration* | | ✓ | |
| 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 | | | ✓ |

*These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016 | | Adopted | Not Early Adopted | Not Applicable |
|--|------------------------------------|----------------|--------------------------|-----------------------|
| Philippine Interpretations | | | | |
| SIC-32 | Intangible Assets - Web Site Costs | | | ✓ |

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Company did not early adopt these standards, interpretations and amendments.*



A N N E X “B”

Management’s Discussion and Analysis or Plan of Operations

Roxas and Company, Inc.
MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

October to December 2016
Corporate Updates

On May 14, 2015, Roxas Green Energy Corporation (RGEN), a wholly owned subsidiary of RCI, was incorporated to venture in solar power generation. RGEN is in the process of developing a 50 megawatt (MW) solar power plant within the properties owned by RCI in Nasugbu, Batangas. RGEN and RCI executed a 25-year lease agreement covering the land where the power plant will be constructed. The first phase for 30MW is under development and expected to be operational by 2018.

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the Securities and Exchange Commission (SEC), for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RSAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. The coconut processing facility is expected to be operational by 2nd quarter of 2017.

On April 13, 2016, Roxaco Land Corporation (RLC) made an additional investment of ₱61.0 million in Roxaco Vanguard Hotel Corporation (RVHC) to increase its equity interest from 50% to 51% to become a subsidiary of the Group. In May and September 2016, RLC made an additional ₱51.0 million and ₱41.0 million, respectively, investment in RVHC to increase its total investment to ₱368.0 million. As of December 31, 2016, the first Go hotel in Manila Airport Road was already operational. The next four Go hotels will be operational by 1st semester of 2017.

Results of Operation

Consolidated sales for the three-month period ended December 31, 2016 amounted to P37.5 million mainly from real estate sales of ₱27.0 million, from Roxaco's Anya Resort and Residences, and hotel revenues of ₱10.5 million from the first Go Hotel site in Manila Airport.

Gross profit for the 3 months amounted to P13.1 million or 35% of sales.

Operating expenses of ₱104.6 million is mainly due to ₱41.0 million pre-operating expenses of Anya Hotel Resorts, RGEN, RSAI and RVHC, ₱18.3 million provision for doubtful accounts and the increase in compensation and benefits.

Equity in net loss of ₱26.5 million represents 25% share in the net loss of RHI amounting to ₱28.2 million and net amount in share in net income of RLC's associates amounting to ₱1.6 million (Fuego Land Corporation, Fuego Development Corporation and Club Punta Fuego, Inc.).

Financing cost for the three-month period amounted to ₱9.5 million which is due to long and short-term debts to fund project developments of RLC and investments in RGEN, RVHC and RSAI.

Other income of ₱17.6 million is mainly due to management fees and other realty fees including forfeited reservation deposits and net profit on the sale of furniture and fixtures of Anya Resort and Residences units sold in Phase 2.

Overall, the Group recognized a consolidated net loss for the three-month period of ₱96.7 million mainly due to lower sales as revenues from new investments, currently under development, will start contributing only in 2017, recognition of pre-operating expenses and loss in equity earnings from associates.

Financial Position

Consolidated total assets amounting to ₱11,260.7 million as at December 31, 2016 is 5% or ₱558.0 million higher than ₱10,702.7 million as at September 30, 2016 mainly due to the continuing development of RVHC's Go Hotels, RSAI's coconut processing plant, and Anya Resort's phase 2 development.

Current ratio decreased from 0.95:1 as at September 30, 2016 to 0.74:1 as at December 31, 2016 mainly due to increase in short term debts to fund project development of RVHC and RSAI. The short term debts used to fund the development projects will be converted to long term loans upon completion of the projects.

Debt to equity (D/E) ratio increased from 0.43:1 to 0.53:1 for the same period due to increase in short term debts, but still within the allowable 0.75:1 DE ratio required by banks for term loans.

Book value per share is ₱3.74 and ₱3.78 as at December 31 and September 30, 2016, respectively.

Total trade and other receivables amounting to ₱673.1 million is lower by 3% than the balance as at September 30, 2016 of ₱691.4 million mainly due to decrease in receivables from realty sales.

Total liabilities increased by 20% from ₱3,241.0 million to ₱3,878.8 million due to the increase in short-term loans to fund the property group's real estate and hotel projects, and RSAI's coconut processing plant. Further, trade and other payables also increased due to increase in liabilities to contractors and customers' deposits.

Total equity amounting to ₱7,461.7 million as at September 30, 2016 decreased to ₱7,381.9 million as at December 31, 2016. The decrease of ₱79.8 million mainly represents consolidated net loss incurred for the three-month period.

Other than the matters discussed above, there are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Top Five Performance Indicators

The Group's financial performance is determined to a large extent by the following key results:

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lot buyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Group.
3. *Collection efficiency on trade receivables and interest.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Group to generate returns for the shareholders.

The table below presents the top five performance indicators of the Group:

| Performance Indicator | December 2016 | September 2016 | September 2015 |
|--|--|---|---|
| Realized gross profit on real estate sales | ₱5.9 million | ₱67.9 million | ₱97.5 million |
| Number of lots sold / reserved | 4 units residential/ 14 memorial | 35 units residential/ 86 memorial | 72 units residential/ 92 memorial |
| Collection efficiency | 97% | 99% | 98% |
| EBITDA | (₱98.6 million) | (₱64.0 million) | ₱153.1 million |
| Return on equity | (1.31%) | (1.04%) | 2% |

Key Variable and Other Qualitative and Quantitative Factors

1. The Group is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
2. The Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. Description of material commitments for real estate development.
For the three-month period ended December 31, 2016, RLC has programmed ₱78M for project developments costs of which ₱51 million is for Anya Resort; ₱16 million is for Hacienda Palico; ₱9 million for Sananda Bay Project in Busuanga and ₱2 million for Landing Townhomes.
5. The Group is not aware of any known trend, events or uncertainties that will have material impact on sales.

6. Other than matters previously discussed, the Group is not aware of causes for any material changes from period to period in the financial statements.

Plan of Operations

To establish the property operation's continued growth and to ensure its viability, management intends to push through with the following plans and projects:

- Start of land development of Hacienda Palico residential project in Nasugbu, Batangas by 4th quarter of 2016.
- Complete the development of phase two of Anya Resort and Residences and commence hotel operations by 2nd quarter of 2017.
- Launch Anya Resort and Residences phase three in 2018.
- Complete construction of the remaining 4 Go Hotels sites and commence full operations by 2nd quarter of 2017.
- Complete the development of the 30MW Solar Power Project in Nasugbu, Batangas by 2018.
- Complete construction of RAI's coconut processing facility in Tupi, South Cotabato and commence commercial operations by 2nd quarter of 2017

Fiscal Year 2015-2016 Corporate Updates

On May 14, 2015, Roxas Green Energy Corporation (RGEN), a wholly owned subsidiary of RCI, was incorporated to venture in solar power generation. RGEN is in the process of developing a 50 megawatt (MW) solar power plant within the properties owned by RCI in Nasugbu, Batangas. RGEN and RCI executed a 25-year lease agreement covering the land where the power plant will be constructed.

On October 8, 2015, RCI entered into a Shareholders Agreement with Sigma Xynergies Corporation (SXC), a Filipino owned company, to invest in Roxas Sigma Agriventures, Inc. (RSAI) (formerly Sigma Coco Xynergies, Inc.), a company duly registered and incorporated with the Securities and Exchange Commission (SEC), for the purpose of constructing a 300 tons-per-day coconut processing facility in Tupi, South Cotabato to produce coconut milk, coconut cream, virgin coconut oil and coconut water concentrate primarily for export. On April 8, 2016, RCI acquired 2,150,000 shares of stocks of RAI at ₱100 par value for ₱215.0 million representing 81% equity to become a subsidiary of the Group. The coconut processing facility is expected to be operational by 2017.

On April 13, 2016, Roxaco Land Corporation (RLC) made an additional investment of ₱61.0 million in Roxaco Vanguard Hotel Corporation (RVHC) to increase its equity interest from 50% to 51% to become a subsidiary of the Group. In May and September 2016, RLC made an additional ₱51.0 million and ₱41.0 million, respectively, investment in RVHC to increase its total investment to ₱368.0 million.

Results of Operation

Consolidated sales for the fiscal year amounted to ₱193.9 million or 23% lower than last year's ₱250.4 million due to lower real estate realized sales from Roxaco's Anya Resort and Residences Phase 2 project in Tagaytay.

Gross profit for the fiscal year amounted to ₱67.9 million or 35% of sales and lower by ₱29.5 million versus last year's ₱97.5 million at 39% of sales.

Operating expenses of ₱185.2 million is 57% higher than last year due to pre-operating expenses of AHRC, RGEC, RSAI and RVHC and the increase in compensation and benefits from additional hiring.

Equity in net earnings of ₱17.2 million represents 25% share in net income of RHI amounting to ₱25.5 million and net amount in share in net loss of RLC's associates amounting to ₱8.3 million (Fuego Land Corporation, Fuego Development Corporation and Club Punta Fuego, Inc.).

Financing cost for the fiscal year amounted to ₱30.8 million or 72% higher than last year's ₱17.9 million due to increase in short-term debts to fund project development of property group and investment in RVHC and RSAI.

Other income increased by 5% to ₱28.8 million representing management fees and other realty fees including forfeited reservation deposits of RLC.

Overall, the Group recognized a consolidated net loss for the fiscal year of ₱77.9 million or a decrease of ₱213.0 million or 158% from last year's consolidated net income of ₱135.1 million. Higher pre-operating expenses from our new companies and lower realty sales contributed largely to the drop in net income. Another ₱73.7 million is due to the result of the dilution of ownership interest of the Company in RHI from 31% to 25% due to the exercise of SRO by other stockholders of RHI in May 2016.

Financial Position

Consolidated total assets amounting to ₱10,697.8 million as at September 30, 2016 is 31% or ₱2,550.0 million higher than ₱8,147.8 million as at September 30, 2015 as a result of the consolidation of its new subsidiaries, RVHC and RSAI.

Current ratio decreased from 1.23:1 as at September 30, 2015 to 0.95:1 as at September 30, 2016 mainly due to increase in short term debts to fund project development and investments in RVHC and RSAI.

Debt to equity (D/E) ratio increased from 0.14:1 to 0.43:1 for the same period due to increase in short term debts, but still within the allowable 0.75:1 DE ratio required by banks for term loans.

Book value per share is ₱3.78 and ₱3.61 as at September 30, 2016 and 2015, respectively.

Total trade and other receivables amounting to ₱691.4 million is higher by 105% than the balance as at September 30, 2015 of ₱336.9 million mainly due to increase in receivables mostly representing advances or deposits made to contractors and suppliers of RVHC and RSAI.

Total liabilities increased by 216% from ₱1,023.5 million to ₱3,236.0 million due to the increase in short-term loans to fund the property group's real estate and hotel projects, and investments in RVHC and RSAI. Further, trade and other payables also increased due to increase in liabilities to contractors and customers' deposits.

Total equity amounting to ₱7,124.3 million as at September 30, 2015 increased to ₱7,461.7 million as at September 30, 2016. The increase of ₱337.4 million represents minority interest in net assets of RVHC, RSAI and Fuego Hotels Properties and Management Corp. (FHPMC), net of the consolidated net loss of ₱71.5 million, cash dividends amounting to ₱19.7 million and net of increase in capital of ₱5.4 million due to issuance of treasury shares.

Other than the matters discussed above, there are no:

- Known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's material liquidity problem;
- Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations;
- Significant elements of income or loss that arose from continuing operations; and
- Seasonal aspects that had a material effect on the financial condition or results of operations.

Top Five Performance Indicators

The Group's financial performance is determined to a large extent by the following key results:

1. *Realized gross profit (RGP) on sale of developed real estate (lots only).* This is recognized in full when the collection of the total contract price reached 10%. At this stage, it is reasonably assured that the risks and benefits over the developed assets have been transferred to the lot buyer.
2. *Number of lots sold.* The lot sold and the terms of the sale will determine when income would be recognized and how much is the potential income to the Group.
3. *Collection efficiency on trade receivables and interest.* Income recognition is a factor of collection, plus the interest income component.
4. *Earnings before interest, taxes and depreciation (EBITDA)* - This is the measure of cash income from operations.
5. *Return on Equity* - denotes the capability of the Group to generate returns for the shareholders.

The table below presents the top five performance indicators of the Group:

| Performance Indicator | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| Realized gross profit on real estate sales | ₱67.9 million | ₱97.5 million | ₱94.4 million |

| | | | |
|--------------------------------|---|---|--|
| Number of lots sold / reserved | 35 units residential/ 86 memorial | 72 units residential/ 92 memorial | 119 units residential/ 72 memorial |
| Collection efficiency | 99% | 98% | 98% |
| EBITDA | ₱64.0 million) | ₱153.1 million | ₱2,494.4 million |
| Return on equity | (1.04%) | 2% | 36% |

Key Variable and Other Qualitative and Quantitative Factors

1. The Group is not aware of any known trends, events or uncertainties that will result in or that are reasonably likely to result in any material cash flow or liquidity problem.
2. The Group is not aware of any events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
3. The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
4. Description of material commitments for real estate development.
For FY 2015-2016, RLC has programmed ₱724.2 million for project development costs of which ₱638.6 million is for Anya Resort, ₱34.8 million for Landing Townhomes, ₱9.9 million for Orchards and ₱40.9 million is for new projects.
5. The Group is not aware of any known trend, events or uncertainties that will have material impact on sales.
6. Other than matters previously discussed, the Group is not aware of causes for any material changes from period to period in the financial statements.

Plan of Operations

To establish the property operation's continued growth and to ensure its viability, management intends to push through with the following plans and projects:

- Start of land development of the Hacienda Palico, residential project in Batangas, by 4th quarter of 2016.
- Complete the development of phase two of Anya Resort and Residences by the 4th quarter of 2016 and start the hotel operations by 1st quarter of 2017.
- Launch Anya Resort and Residences phase three in 2017.
- Complete construction of the three Go Hotels sites in 2016 and start full year operations in 2017. Complete the remaining two Go Hotels sites in 2017 and launch by 1st quarter of 2017.
- Complete the development of the 30MW Solar Power Project in Nasugbu, Batangas.
- Complete construction of coconut processing facility in Tupi, South Cotabato by 4th quarter of 2016. Commence commercial operations by 1st quarter of 2017.



A N N E X “C”

**Unaudited Financial Statement
for the First Quarter of 2017**

**ROXAS AND COMPANY, INC.
AND SUBSIDIARIES**

Unaudited Interim Condensed

Consolidated Financial Statements

As of March 31, 2017 and for the three months ended March
31, 2017 and 2016

(with comparative audited figures as of December 31, 2016)

ROXAS AND COMPANY, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION***Amounts in Thousands*

| | March 31, 2017 (Unaudited) | December 31, 2016 (Audited) |
|---|-------------------------------|--------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 7) | ₱120,133 | ₱63,875 |
| Trade and other receivables (Notes 8 and 19) | 543,931 | 606,526 |
| Real estate for sale and development (Note 9) | 637,844 | 664,948 |
| Other current assets (Note 10) | 261,345 | 235,999 |
| Total Current Assets | 1,563,253 | 1,571,348 |
| Noncurrent Assets | | |
| Receivables - net of current portion (Note 8) | 100,019 | 66,579 |
| Investments in associates and a joint venture (Note 11) | 2,277,103 | 2,233,224 |
| Property and equipment (Note 12) | | |
| At cost model | 2,221,268 | 2,056,752 |
| At revaluation model | 551,240 | 551,240 |
| Investment properties (Note 13) | 4,570,834 | 4,570,834 |
| Deferred income tax assets - net (Note 23) | 29,718 | 32,671 |
| Other noncurrent assets (Note 10) | 190,873 | 178,051 |
| Total Noncurrent Assets | 9,941,055 | 9,689,351 |
| TOTAL ASSETS | ₱11,504,308 | ₱11,260,699 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Short-term borrowings (Note 14) | ₱1,833,236 | ₱1,410,226 |
| Current portion of long-term borrowings (Note 15) | 97,476 | 198,390 |
| Trade and other payables (Notes 16 and 19) | 405,767 | 513,697 |
| Total Current Liabilities | 2,336,479 | 2,122,313 |
| Noncurrent Liabilities | | |
| Long-term borrowings - net of current portion (Note 15) | 1,741,500 | 1,728,000 |
| Retirement liability (Note 17) | 25,252 | 19,654 |
| Deferred income tax liabilities - net (Note 23) | 8,845 | 8,845 |
| Total Noncurrent Liabilities | 1,775,597 | 1,756,499 |
| Total Liabilities | 4,112,076 | 3,878,812 |

(Forward)

| | March 31, 2017 (Unaudited) | December 31, 2016 (Audited) |
|--|-------------------------------|--------------------------------|
| Equity attributable to the Equity Holders of the Parent Company (Note 18) | | |
| Capital stock | P2,911,886 | P2,911,886 |
| Additional paid-in capital | 1,628,894 | 1,627,911 |
| Treasury stock | (1,591,231) | (1,594,631) |
| Other equity reserves | 330,728 | 330,552 |
| Retained earnings | 3,740,731 | 3,725,264 |
| | 7,021,008 | 7,000,982 |
| Non-controlling Interests (Note 6) | 371,224 | 380,905 |
| Total Equity | 7,392,232 | 7,381,887 |
| TOTAL LIABILITIES AND EQUITY | P11,504,308 | P11,260,699 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

Certified true and correct:



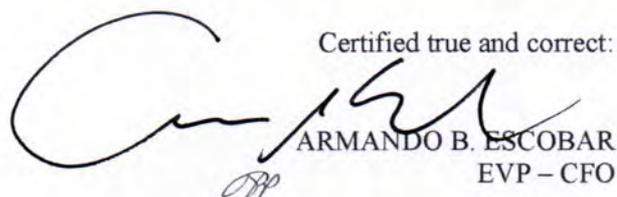
ARMANDO B. ESCOBAR
EVP – CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF INCOME***Amounts in Thousands, except Basic/Diluted Earnings (Loss) per Share Data***FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**

| | 2017 (Unaudited) | 2016 (Unaudited) |
|--|------------------|------------------|
| REVENUES | | |
| Real estate | P82,707 | P45,364 |
| Hotel | 18,607 | - |
| | 101,314 | 45,364 |
| COST OF SALES AND SERVICES | | |
| Cost of real estate sales (Note 9) | 51,518 | (30,633) |
| Cost of hotel sales and services | 6,688 | - |
| | (58,206) | (30,633) |
| GROSS INCOME | 43,108 | 14,731 |
| OPERATING EXPENSES (Note 20) | (77,363) | (31,913) |
| OTHER INCOME (CHARGES) | | |
| Equity in net earnings of associates and a joint venture (Note 11) | 43,879 | 56,202 |
| Interest expense (Notes 14 and 15) | (14,842) | (5,818) |
| Interest income (Notes 7, 8, and 19) | 2,342 | 4,293 |
| Others - net (Note 22) | 12,695 | 3,271 |
| | 44,074 | 57,948 |
| INCOME FROM BEFORE INCOME TAX | 9,819 | 40,766 |
| INCOME TAX EXPENSE (Note 23) | | |
| Current | 770 | 566 |
| Deferred | 3,262 | - |
| | 4,032 | 566 |
| NET INCOME | P 5,787 | P40,200 |
| Net Income attributable to: | | |
| Equity holders of the Parent Company | P 15,468 | P39,556 |
| Non-controlling interests | (9,681) | 644 |
| | P 5,787 | P40,200 |
| BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY (Note 24) | P0.008 | P0.020 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

Certified true and correct:



ARMANDO B. ESCOBAR
EVP – CFO

ROXAS AND COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME

Amounts in Thousands

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

| | 2017 (Unaudited) | 2016 (Unaudited) |
|--|------------------|------------------|
| NET INCOME | ₱5,787 | ₱40,200 |
| OTHER COMPREHENSIVE INCOME | - | - |
| TOTAL COMPREHENSIVE INCOME | ₱5,787 | ₱40,200 |
| Total Comprehensive Income attributable to: | | |
| Equity holders of the Parent Company | ₱15,468 | ₱39,556 |
| Non-controlling interests | (9,681) | 644 |
| | ₱5,787 | ₱40,200 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

Certified true and correct:



ARMANDO B. ESCOBAR
EVP – CFO

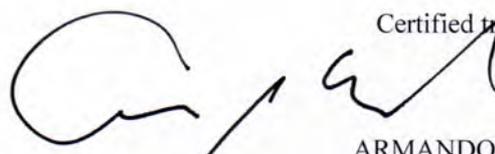


ROXAS AND COMPANY, INC. AND SUBSIDIARIES**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY***Amounts in Thousands***FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016**

| | 2017 (Unaudited) | 2016 (Unaudited) |
|--|--------------------|--------------------|
| CAPITAL STOCK (Note 18) | ₱2,911,886 | ₱2,911,886 |
| ADDITIONAL PAID-IN CAPITAL (Note 18) | 1,628,894 | 1,627,891 |
| TREASURY STOCK (Note 18) | (1,591,231) | (1,594,960) |
| REVALUATION INCREMENT ON LAND (Note 18) | 334,004 | 280,090 |
| SHARE IN FAIR VALUE RESERVE OF AN ASSOCIATE (Note 11) | 13,367 | 9,173 |
| CUMULATIVE REMEASUREMENT LOSS ON RETIREMENT LIABILITY (Note 17) | (16,643) | (5,349) |
| RETAINED EARNINGS (Note 18) | | |
| Unappropriated | | |
| Balance at beginning of period | 2,041,727 | 1,821,158 |
| Net income | 15,468 | 39,556 |
| Cash dividends | - | - |
| Reversal for treasury stock | 3,400 | - |
| Balance at end of period | 2,060,595 | 1,860,714 |
| Appropriated | | |
| Balance at beginning of period | 1,683,536 | 2,085,274 |
| Reversal for treasury stock | (3,400) | - |
| Balance at end of period | 1,680,136 | 2,085,274 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | 7,021,007 | 7,174,719 |
| NON-CONTROLLING INTERESTS | | |
| Balance at beginning of period | 380,905 | (5,672) |
| Net income (loss) | (9,681) | 644 |
| Balance at end of period | 371,224 | (5,028) |
| | ₱7,392,232 | ₱7,169,691 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

Certified true and correct:



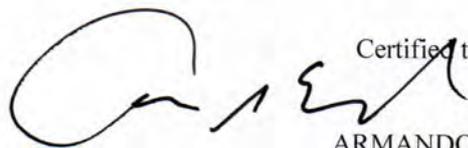
ARMANDO B. ESCOBAR
EVP – CFO



ROXAS AND COMPANY, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in Thousands)
FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

| | 2017 (Unaudited) | 2016 (Unaudited) |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax: | P9,819 | P40,766 |
| Adjustments for: | | |
| Equity in net loss of associates and a joint venture (Note 11) | (43,879) | (56,202) |
| Interest expense (Notes 14 and 15) | 14,842 | 5,818 |
| Interest income (Notes 7, 8 and 19) | (2,342) | (4,293) |
| Depreciation and amortization (Notes 12 and 20) | 4,788 | 1,181 |
| Operating loss before working capital changes | (16,772) | (12,730) |
| Decrease (increase) in: | | |
| Trade and other receivables | 29,156 | (27,717) |
| Real estate for sale and development | 27,104 | (51,457) |
| Other current assets | (25,347) | (16,236) |
| Increase (decrease) in trade and other payables | (97,345) | 17,906 |
| Net cash used for operations | (83,204) | (90,234) |
| Interest received | 2,342 | 4,293 |
| Net cash used in operating activities | (80,862) | (85,941) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to: | | |
| Property and equipment (Note 12) | (169,304) | (58,564) |
| Addition to other noncurrent assets (Note 10) | (18,715) | (34,880) |
| Dividends received (Note 11) | - | 4,624 |
| Net cash used in investing activities | (188,019) | (88,820) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net availments of short-term borrowings (Note 14) | 423,013 | 379,878 |
| Payments of: | | |
| Interest (including capitalized borrowing costs) | (14,842) | (5,818) |
| Dividends (Note 18) | - | (19,657) |
| Long-term borrowings (Note 15) | (87,415) | (17,688) |
| Proceeds from issuances of treasury shares (Note 18) | 4,383 | - |
| Net cash provided by financing activities | 325,139 | 336,715 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD | 56,258 | 161,954 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 63,875 | 183,300 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | P120,133 | P345,254 |

See accompanying Notes to Interim Condensed Consolidated Financial Statements.


 Certified true and correct:
 ARMANDO B. ESCOBAR
 EVP – CFO


ROXAS AND COMPANY, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information

Roxas and Company, Inc. (the Parent Company), formerly CADP Group Corporation (CADPGC), was organized in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 7, 1918, primarily to acquire, own, develop, sell and hold investment in real estate and sugar business. The corporate life of the Parent Company was extended for another 50 years until October 7, 2018.

On November 29, 1948, the shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE) with a stock symbol RCI.

The Parent Company is owned by various individual shareholders and domestic corporations, namely: SPCI Holdings, Inc. and Pesan Holdings, Inc., among others. As at March 31, 2017 and 2016, the Parent Company has 3,350 and 3,364 shareholders, respectively.

On November 29, 2013, the Parent Company sold its 31% equity interest in Roxas Holdings, Inc. (RHI) to First Pacific Company, Ltd. (First Pacific), a Hong Kong-based company. The Parent Company remained the major shareholder with 35% equity interest in RHI as at September 30, 2014. On October 1, 2014, the Parent Company acquired additional 5.0 million shares of RHI increasing its equity interest in RHI to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 11). Also, on the same date, the Parent Company acquired additional 33.1 million shares of RHI from various shareholders (see Note 11). As at March 31, 2016, the Parent Company has 31% equity interest in RHI.

On May 31, 2016, the equity interest of the Parent Company was further diluted from 31% to 25%, as a result of the exercise of Stock Rights Option (SRO) by other stockholders of RHI (see Note 11).

The corporate office of the Parent Company is located at 7th Floor, Cacho-Gonzales Building, 101 Aguirre Street, Legaspi Village, Makati City.

Change in Accounting Period

On December 18, 2015, the Board of Directors (BOD) approved the amendment of the by-laws of the Parent Company and Roxaco Land Corporation (RLC), changing the accounting period of the Parent Company and RLC from fiscal year ending September 30 to calendar year ending December 31 of each year. The change in accounting period of the Parent Company and RLC was approved by the SEC on May 26, 2016 and March 15, 2016, respectively.

2. Basis of Preparation and Statement of Compliance

The unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for land properties under property and equipment and investment properties that are stated at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine Peso, which is the functional and presentation

currency of the Group. All amounts are rounded to the nearest thousands, unless otherwise indicated.

The unaudited interim condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Accounting Standards (PAS 34), Interim Financial Reporting.

The unaudited interim condensed consolidated financial statements, which have been prepared by the Group to be filed with the SEC for its quarterly reporting to comply with the amended Securities Regulation Code Rule 68, do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's short-period consolidated financial statements as at and for the three months ended December 31, 2016 and as at and with the Group's annual consolidated financial statements as at and for the years ended September 30, 2016 .

3. Summary of Changes in Accounting Policies

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial periods. The adoption of the foregoing new and revised Philippine Financial Reporting Standards (PFRS) did not have any material effect on the unaudited interim condensed consolidated financial statements of the Group. Additional disclosures have been included in the notes to unaudited interim consolidated financial statements, as applicable.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative* require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses* 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 explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply amendments retrospectively. Early application of the amendments is permitted.
- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)* clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

4. Basis of Consolidation

The unaudited interim consolidated financial statements of the Group include the financial statements of the Parent Company and following subsidiaries (all incorporated and domiciled in the Philippines) as at March 31, 2017 and December 31, 2016:

| | Percentage of Ownership | | Description of Business |
|---|-------------------------|--------|---------------------------------------|
| | 2017 | 2016 | |
| RLC | 100.00 | 100.00 | Real estate |
| Anya Hospitality Corporation (AHC) | 75.33 | 75.33 | Hotel and resort management |
| Anya Hotels and Resorts Corporation (AHRC) | 100.00 | 100.00 | Real Estate |
| AHR1 Hotels & Resorts Corporation (AIHRC) | 100.00 | 100.00 | Real estate |
| Roxaco-Vanguard Hotels Corporation (RVHC) (see Note 11) | 51.00 | 51.00 | Hotel and leisure |
| United Ventures Corporation (UVC) | 100.00 | 100.00 | Warehouse leasing |
| Nasugbu Feeds Corporation (NAFECOR) * | 100.00 | 100.00 | Manufacturing |
| SAMG Memorial Management & Services Inc. (SMMSI) | 100.00 | 100.00 | Funeral and related services |
| Roxas Green Energy Corporation (RGEC) | 100.00 | 100.00 | Generation and distribution of energy |
| Roxas Sigma Agriventures, Inc. (RSAI) | 81.13 | 81.13 | Manufacturing |

* On April 10, 2008, its BOD approved the cessation of operations, closure of business and dissolution of NAFECOR. The application for dissolution is still pending with the SEC.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the unaudited interim consolidated financial statements requires the Group to exercise judgment, make estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and related disclosures. The Group makes estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments, estimates and assumptions are continuously 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 believes the following represent a summary of significant judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next fiscal year, and related impact and associated risk in the consolidated financial statements.

6. Acquisition of Subsidiaries

Acquisition of RSAI

On April 8, 2016, the Parent Company subscribed to 2,150,000 shares of RSAI representing 81.13% ownership interest from RSAI's increase in capital stock and paid a total consideration of ₱101.0 million. As a result, the Parent Company gained control over RSAI.

RSAI is an existing entity incorporated in February 16, 2015, which has not yet started commercial operations as at March 31, 2017.

The fair value of assets acquired and liabilities assumed at the date of acquisition are as follows:

| | |
|-----------------------------|-----------------|
| Cash | ₱22,832 |
| Trade and other receivables | 91,001 |
| Other current assets | 522 |
| Property and equipment: | |
| At appraised values | 10,000 |
| At cost | 4,266 |
| Trade and other payables | (5,684) |
| | <u>₱122,937</u> |

The non-controlling interest in RSAI amounted to ₱21.9 million, which was measured based on proportionate value of net assets of RSAI as at the date of acquisition.

Subsequently, in May 2016, RSAI collected subscriptions to the capital stock of the non-controlling interest amounting to ₱9.8 million.

Step Up Acquisition of RVHC

On April 13, 2016 (date of acquisition), RLC made an additional investment of ₱61.0 million that increased the equity interest of the Group in RVHC from 50% to 51%. On the same date, certain provisions of the Shareholder's Agreements were amended, particularly increasing RLC's BOD representation in RVHC from two to three directors out of the five directors to obtain control over RVHC. Consequently, RVHC became a subsidiary from said date, resulting to a gain from step up acquisition amounting to ₱6.9 million.

The fair values of the identified assets and liabilities of RVHC as at the date of acquisition are as follows:

| | |
|---|------------------|
| Cash | ₱96,160 |
| Trade and other receivables | 133,176 |
| Other current assets | 164,485 |
| Property and equipment: | |
| At cost | 847,504 |
| At appraised values | 512,707 |
| Other noncurrent assets | 17,641 |
| Trade and other payables | (40,545) |
| Short-term borrowings | (750,000) |
| Long-term borrowings | (410,000) |
| Deferred tax liability | (19,720) |
| Net assets | <u>551,408</u> |
| Percentage share of net assets acquired | 51% |
| Net assets acquired | 281,218 |
| Total consideration | <u>(274,269)</u> |
| Gain from up step acquisition | <u>₱6,949</u> |

The non-controlling interest in RVHC amounted to ₱270.9 million, which was measured based on proportionate fair value of net assets of RVHC as at the date of acquisition.

Subsequently, RLC and the non-controlling interest made additional investments amounting to ₱92.0 million and ₱88.0 million, respectively, maintaining the same equity interest in RVHC (see Note 11).

Incorporation of RGEC

On February 16, 2015, RGEC, an entity that will be engaged in the generation and distribution of solar power, was incorporated with authorized capital stock of 500.0 million at ₱1.00 par value a share, of which ₱125.0 million was subscribed and paid by the Parent Company in December 2015.

As at March 31, 2017, RGEC is still in construction phase. In May 2016, RGEC received a Cease and Desist Order (CDO) issued by the Department of Agrarian Reform (DAR) not to undertake further development on the land used for the construction of solar power. As at April 6, 2017, RGEC filed a request to lift the CDO and is now awaiting the response from the DAR.

7. Cash and Cash Equivalents

This account consists of:

| | March 31, 2017 | December 31, 2016 |
|------------------|---------------------------|----------------------|
| Cash on hand | ₱430 | ₱393 |
| Cash in banks | 119,656 | 59,540 |
| Cash equivalents | 47 | 3,942 |
| | ₱120,133 | ₱63,875 |

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made at varying periods of up to 90 days, depending on the immediate cash requirements of the Group. Cash equivalents earn interest ranging from .4% to 1.25% in 2017 and 2016.

Total interest income earned from cash in banks and cash equivalents amounted to ₱0.025 million and ₱0.700 million for the three months ended March 31, 2017 and 2016, respectively.

8. Trade and Other Receivables

This account consists of:

| | March 31, 2017 | December 31, 2016 |
|---------------------------------|---------------------------|----------------------|
| Trade | ₱249,119 | ₱264,995 |
| Advances to: | | |
| Contractors | 333,809 | 334,563 |
| Supplier | 5,376 | 12,742 |
| Due from: | | |
| Related parties (Note 19) | 90,227 | 60,774 |
| Employees | 1,964 | 6,234 |
| Dividends (Note 19) | 4,624 | 4,624 |
| Others | 4,695 | 35,037 |
| | 689,814 | 718,969 |
| Allowance for impairment losses | (45,864) | (45,864) |
| | ₱643,950 | ₱673,105 |

Breakdown as to current and noncurrent portion follows:

| | March 31, 2017 | December 31, 2016 |
|------------|---------------------------|----------------------|
| Current | ₱543,931 | ₱606,526 |
| Noncurrent | 100,019 | 66,579 |
| | ₱643,950 | ₱673,105 |

Trade receivables mainly represent customers' accounts arising from the sale of real estate properties collectible in monthly installments over a period of 18 to 84 months and bear annual interest ranging from 14% to 18% depending on the terms of the sales contract.

Cash received from the sale of real estate properties, that does not meet the revenue recognition criteria set out in Note 4 are recognized as "Customers' deposits," which is presented as part of "Trade and other payables" account in the unaudited interim consolidated statements of financial position.

Breakdown as to current and noncurrent portion of the installment contract receivables recorded under "Trade receivables" account follows:

| | March 31, 2017 | December 31, 2016 |
|------------|-----------------------|-------------------|
| Current | ₱186,163 | ₱186,163 |
| Noncurrent | 66,579 | 66,579 |
| | ₱252,743 | ₱252,743 |

Advances to contractors pertain to advances made for services to be rendered.

Advances to supplier pertain to advances made for services to be rendered, which are refundable upon noncompliance of the agreed terms.

Due from employees pertains to the salary, housing and educational loans that are collected from the employees through salary deduction, and advances for business purposes subject to liquidation.

Other receivables, which are normally settled within one year, pertains to nontrade receivables.

9. Real Estate for Sale and Development

This account consists of:

| | March 31, 2017 | December 31, 2016 |
|---------------------------------|---------------------------|----------------------|
| Raw land and land improvements | ₱236,488 | ₱236,488 |
| Real estate properties for sale | 401,356 | 428,460 |
| | ₱637,844 | ₱664,948 |

Allowance for impairment loss amounted to nil as at March 31, 2017 and December 31, 2016.

Cost of real estate sales amounted to ₱51.5 million and ₱30.6 million for the three months ended March 31, 2017 and 2016, respectively.

Borrowing costs incurred to finance the development of the Group's real estate projects amounting to ₱3.5 million and ₱3.6 million in the three months ended March 31, 2017 and 2016, respectively, were capitalized using a weighted average rate of 3.63%.

Certain properties for sale and development owned by RLC amounting to ₱180.9 million as at March 31, 2017 and December 31, 2016 are being used as collateral for the loans availed by the Parent Company and RLC (see Note 15).

10. Other Assets

Other current assets account consists of:

| | March 31, 2017 | December 31, 2016 |
|--|---------------------------|----------------------|
| Input VAT | ₱191,159 | ₱149,697 |
| Creditable withholding taxes - net | 59,206 | 55,755 |
| AFS financial assets - net of allowance for impairment loss | 7,534 | 7,534 |
| Prepaid expenses | 2,957 | 15,990 |
| Others | 489 | 7,023 |
| | ₱261,345 | ₱235,999 |

Input VAT mainly arises from construction of real estate for sale and purchases of goods and services for operations.

Prepaid expenses pertain to prepaid rent, insurance and taxes.

As at March 31, 2017 and December 31, 2016, allowance for impairment loss on creditable withholding taxes and AFS financial assets amounted to ₱5.6 million. No provision for impairment losses was recognized for the three months ended March 31, 2017 and 2016.

Other noncurrent assets account consists of:

| | March 31, 2017 | December 31, 2016 |
|------------------|---------------------------|----------------------|
| Input VAT | ₱176,184 | ₱161,799 |
| Franchise fee | 11,542 | 11,542 |
| Utility deposits | 3,147 | 4,710 |
| | ₱190,873 | ₱178,051 |

Franchise fee pertains to RVHC's franchise fee to a third-party hotel chain company for the non-exclusive, non-assignable right to use the proprietary marks and system in connection with the establishment and operation of GoHotels. The agreement is for 10 years beginning the opening day of the hotels. There is no amortization recognized for the three months ended March 31, 2017 and 2016.

11. Investments in Associates and a Joint Venture and Investment in a Subsidiary with Material Non-controlling interest

Movements in this account follow:

| | March 2017 (Three Months) | December 2016 (Three Months) |
|---|------------------------------|---------------------------------|
| Associates | | |
| Acquisition cost: | | |
| Balance at beginning of period | ₱2,167,054 | ₱2,167,054 |
| Loss on deemed disposal of RHI | | - |
| Balance at end of period | 2,167,054 | 2,167,054 |
| Accumulated equity in net earnings (loss): | | |
| Balance at beginning of period | 105,533 | 132,065 |
| Equity in net earnings (loss) | 43,879 | (26,532) |
| Balance at end of period | 149,412 | 105,533 |
| Unrealized loss on transfer of land - | | |
| Balance at beginning and end of period | (59,030) | (59,030) |
| Other comprehensive income: | | |
| Balance at beginning of period | 34,900 | 34,900 |
| Share in appraisal increase in land, net of tax | | - |
| Share in remeasurement loss on retirement liability, net of tax | | - |
| Balance at end of period | 34,900 | 34,900 |
| | 2,292,336 | 2,248,457 |
| Allowance for impairment loss | (15,233) | (15,233) |
| | ₱2,277,103 | ₱2,233,224 |

The following are the associates of the Group:

| | Percentage of Ownership | | Description of Business |
|--|-------------------------|----------------------|--|
| | March 31, 2017 | December 31, 2016 | |
| RHI and subsidiaries | 25.07 | 25.07 | Production and selling of sugar and related products |
| Roxaco-ACM Development Corporation (RADC)* | 50.00 | 50.00 | Real estate |
| Fuego Land Corporation (FLC)* | 30.00 | 30.00 | Real estate |
| Fuego Development Corporation (FDC)* | 30.00 | 30.00 | Real estate |
| Club Punta Fuego, Inc. (CPFI)* | 25.00 | 25.00 | Social recreational and athletic activities |

* Effective ownership through RLC.

The following are the subsidiaries of RHI:

| | Percentage of Ownership | | Description of Business |
|--|-------------------------|----------------------|--|
| | March 31, 2017 | December 31, 2016 | |
| Central Azucarera Don Pedro, Inc. (CADPI) | 100.00 | 100.00 | Production and selling of raw and refined sugar, molasses and related products |
| (Forward) | | | |
| Central Azucarera de la Carlota, Inc. (CACI) | 100.00 | 100.00 | Production and selling of raw sugar and molasses |
| CADP Insurance Agency, Inc. (CIAI) | 100.00 | 100.00 | Insurance agency |

| | Percentage of Ownership | | Description of Business |
|---|-------------------------|----------------------|---|
| | March 31, 2017 | December 31, 2016 | |
| Roxol Bioenergy Corp. (RBC) | 100.00 | 100.00 | Production and selling of bioethanol fuel and trading of goods such as sugar and related products |
| CADP Port Services, Inc. (CPSI) | 100.00 | 100.00 | Providing ancillary services |
| RHI Agri-Business Development Corporation (RABDC) | 100.00 | 100.00 | Agricultural business |
| Roxas Pacific Bioenergy Corporation (RPBC) | 100.00 | 100.00 | Holding company for bioethanol investments |
| RHI Pacific Commercial Corp. (RHIPCC) | 100.00 | 100.00 | Selling arm of products of RHI Group |
| San Carlos Bioenergy, Inc. (SCBI) | 93.35 | 93.35 | Production and selling of bioethanol fuel |
| Najalin Agri Ventures, Inc. (NAVI) | 86.91 | 86.91 | Agricultural and industrial development |
| Roxas Power Corporation (RPC) | 50.00 | 50.00 | Sale of electricity |

The carrying amounts of investments in associates are as follow:

| | March 31, 2017 | December 31, 2016 |
|----------------------|-------------------|----------------------|
| Associates | | |
| RHI and subsidiaries | ₱2,100,423 | ₱2,100,423 |
| FLC | 91,729 | 91,729 |
| CPFI | 17,709 | 17,709 |
| FDC | 14,935 | 14,935 |
| RADC | 8,428 | 8,428 |
| | ₱2,233,224 | ₱2,233,224 |

Associates

As discussed in Note 6, the remaining 35% investment in RHI amounting to ₱1,023.0 million was classified and accounted for as an investment in an associate beginning November 29, 2013.

On October 1, 2014, the Parent Company bought 5.0 million shares of stock of RHI for ₱34.5 million increasing its equity interest to 36%.

On February 27, 2015, the equity interest of the Parent Company in RHI was further diluted from 36% to 28% as a result of the issuance by RHI of 241.8 million treasury shares at ₱7.00 a share amounting to ₱1,692.6 million to First Agri Holdings Corporation, a subsidiary of First Pacific (see Note 1). As a result, the Parent Company recognized a gain on deemed disposal amounting to ₱84.8 million in 2015. Also, on the same date, the Parent Company purchased 33.1 million shares of RHI from various stockholders for a total purchase price of ₱231.8 million, increasing the Parent Company's equity interest from 28% to 31%.

On May 31, 2016, the equity interest of the Parent Company was further diluted from 31% to 25%, as a result of the exercise of SRO by other stockholders of RHI. Consequently, the Parent Company recognized a loss on deemed disposal amounting to ₱73.7 million for the year ended September 30, 2016.

Shares of stock of RHI totaling 99.6 million are used as security for long-term loan of the Parent Company and RLC amounting to ₱590.0 million as at March 31, 2017 and December 31, 2016 (see Note 15).

Investments in CPFI, RADC and FLC were provided with allowance for impairment loss amounting to ₱7.9 million, ₱3.7 million and ₱3.6 million, respectively, as at March 31, 2017 and December 31, 2016.

Joint Venture (accounted for as a subsidiary effective April 13, 2016)

On December 3, 2013, RLC entered into a Joint Venture Agreement with VH Select Investments (Phil) Pte Ltd to form a joint venture company, namely - RVHC [formerly Vanguard Hospitality Assets (Phils.), Inc.] duly registered and incorporated with the SEC on December 8, 2010, primarily to build and own a minimum of five “Go Hotels” (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years.

On May 15, 2014, the SEC approved RVHC’s increase in authorized capital stock from ₱4.0 million or 40,000 common shares to 800.0 million common shares with a reduction of par value from ₱100.0 to ₱1.0 a share and additional 200.0 million preferred shares at ₱0.01 par value a share aggregating ₱802.0 million.

On October 23, 2015, RLC made additional investment amounting to ₱25.0 million maintaining the same equity interest of 50% in RVHC.

On April 13, 2016, RLC made an additional investment of ₱61.0 million which increased the equity interest in RVHC from 50% to 51%. On the same date, certain provisions of the Shareholder’s Agreements were amended, particularly increasing RLC’s BOD representation in RVHC from two to three directors out of the five directors, representing increase from 50% to 60%, to obtain control over RVHC. Consequently, RVHC became a subsidiary from that date.

On May 25, 2016, and August 18, 2016, RLC made additional investment amounting to ₱51.0 million and ₱41.0 million, respectively. On May 24, 2016 and September 8, 2016, VH Select Investments (Phil) Pte Ltd made additional investments amounting to ₱50.0 million and ₱38.0 million, respectively. The said investments from RLC and VH Select Investments (Phil) Pte Ltd maintain the same equity interest in RVHC.

As at March 31, 2017, RVHC is still in the construction phase for the remaining 3 GoHotel sites. Manila Airport Road GoHotel and North EDSA GoHotel started its commercial operations in October 2016 and January 2017, respectively.

The accumulated equity in net earnings of associates and a joint venture amounting to ₱149.4 million and ₱105.5 million as at March 31, 2017 and December 31, 2016, respectively, is not available for dividend distribution to shareholders, unless received as cash dividends from the associates.

12. Property and Equipment

Details and movements of the property and equipment carried at cost follows:

| | March 31, 2017 (Three Months) | | | | | Total |
|--|-------------------------------|-------------------------|--------------------------|--|--------------------------|------------------|
| | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction in Progress | |
| Cost | | | | | | |
| Balance at beginning of period | ₱164,078 | ₱234,509 | ₱13,170 | ₱1,053,048 | ₱630,728 | ₱2,095,533 |
| Additions | 109 | 39,399 | 3,147 | 1,720 | 124,929 | 169,304 |
| Reclassifications | 409,257 | – | – | – | (409,257) | – |
| Balance at end of period | 573,444 | 273,908 | 16,317 | 1,054,768 | 346,400 | 2,264,837 |
| Accumulated Depreciation and Amortization | | | | | | |
| Balance at beginning of period | 14,076 | – | 9,239 | 15,466 | – | 38,781 |
| Depreciation and amortization | 4,052 | – | 277 | 459 | – | 4,788 |
| Balance at end of period | 18,128 | – | 9,516 | 15,925 | – | 43,569 |
| Net Book Value | ₱555,316 | ₱273,908 | ₱6,801 | ₱1,038,843 | ₱346,400 | 2,221,268 |

| | December 31, 2016 (Three Months) | | | | | Total |
|--|----------------------------------|-------------------------|--------------------------|--|--------------------------|-------------------|
| | Buildings and Improvements | Machinery and Equipment | Transportation Equipment | Office Furniture, Fixtures and Equipment | Construction in Progress | |
| Cost | | | | | | |
| Balance at beginning of period | ₱164,027 | ₱44,371 | ₱13,170 | ₱1,033,661 | ₱339,151 | ₱1,594,380 |
| Additions | 51 | 190,138 | – | 19,387 | 291,577 | 501,153 |
| Balance at end of period | 164,078 | 234,509 | 13,170 | 1,053,048 | 630,728 | 2,095,533 |
| Accumulated Depreciation and Amortization | | | | | | |
| Balance at beginning of period | 13,037 | – | 8,955 | 14,939 | – | 36,931 |
| Depreciation and amortization | 1,039 | – | 284 | 527 | – | 1,850 |
| Balance at end of period | 14,076 | – | 9,239 | 15,466 | – | 38,781 |
| Net Book Value | ₱150,002 | ₱234,509 | ₱3,931 | ₱1,037,582 | ₱630,728 | ₱2,056,752 |

Construction in progress pertains to the units to be used as RLC's office in Nasugbu, Batangas, which was completed in 2016, construction of RVHC's Go Hotels, RGEN's solar power project and AHRC's building. The foregoing projects are expected to be completed in 2017. Manila Airport Road GoHotel, however, started its commercial operations in October 2016 with minimal construction works (i.e., interior fittings and designs) which are expected to be completed in 2017.

Fully depreciated property and equipment with an aggregate cost of ₱14.5 million as at March 31, 2017 and December 31, 2016, respectively, are still being used in the operations.

Land at appraised values and had it been carried at cost are as follows:

| | March 31, 2017 | December 31, 2016 |
|---|-------------------|----------------------|
| At appraised values: | | |
| Balance at beginning of year | ₱551,240 | ₱527,361 |
| Appraisal increase | – | 23,879 |
| Additions through step up acquisition of a subsidiary | – | – |
| Additions through acquisition of a subsidiary | – | – |
| Balance at end of year | ₱551,240 | ₱551,240 |
| At cost | ₱504,202 | ₱504,202 |

Certain assets were mortgaged and used as collateral to secure the loan obligations of the Parent Company, RLC and RVHC with the local banks as at (see Note 15).

13. Investment Properties

Movements on investment properties are as follows:

| | March 31, 2017 | December 31, 2016 |
|------------------------------|---------------------------|----------------------|
| Balance at beginning of year | ₱4,570,834 | ₱4,570,834 |
| Unrealized fair value gain | – | – |
| Balance at end of year | ₱4,570,834 | ₱4,570,834 |

The Parent Company

This account consists of land properties located in Nasugbu, Batangas, which are held either to earn rentals and/or for capital appreciation.

The total carrying amount of the Parent Company's investment properties includes land properties that are subjected to the CARL with total land area of 2,300.6 hectares and total value of ₱4,316.3 million as at March 31, 2017 and December 31, 2016 (see Note 25).

As at March 31, 2017 and December 31, 2016, the fair value of investment properties, including land properties subjected to the CARL, are based on the appraised values of the properties as at September 15, 2016 as determined by a professional qualified independent and SEC-accredited appraiser. The fair value measurement for investment properties has been categorized under Level 3, which was determined by using the Sales Comparison Approach that disregards all existing liens and encumbrances, and appraises the properties as though free and with clean titles. Such approach is a comparative approach that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison and adjustments to sales price which pertain to factors affecting value such size, location, time and shape (see Note 27).

The SEC, in its letter dated January 26, 2011 to the Parent Company, approved the change in the accounting measurement of investment properties of the Parent Company, including land properties subjected to the CARL, from cost to fair value method and the transfer of the debit balance in the "Other equity reserve" to deficit. The debit balance in the "Other equity reserve" amounting to ₱4.0 billion in 2009 resulted from the excess of the considerations received over the net assets acquired arising from the merger of CADPGC and Roxas & Company, Inc., the parent company of CADPGC, which was absorbed and liquidated (see Note 18). The Philippine SEC approved the foregoing accounting treatment on the basis of the facts and circumstances provided by the Parent Company.

Investment properties with carrying value of ₱6.8 million as at March 31, 2017 and December 31, 2016 are used as collateral for the long-term borrowings of the Parent Company and RLC (see Note 15).

RLC

Investment property of RLC amounting to ₱8.4 million pertains to a commercial building for lease in Nasugbu, Batangas, which was reclassified to real estate held for sale during the year ended September 30, 2015 (see Note 9).

14. Short-term Borrowings

This account represents unsecured short-term loans obtained from various local banks for its working capital requirements. These short-term borrowings are payable within 30 to 180 days for the three months ended March 31, 2017 and December 31, 2016 and bear annual interest ranging from 2.75% to 5.00% for the three months ended March 31, 2017 and 2016.

15. Long-term Borrowings

Long-term borrowings consist of loans from:

| | March 31, 2017 | December 31, 2016 |
|--------------------------------------|-----------------------|-------------------|
| Bank of the Philippine Islands (BPI) | ₱1,210,500 | ₱1,355,000 |
| Banco de Oro Unibank, Inc. (BDO) | 628,476 | 571,390 |
| | 1,838,976 | 1,926,390 |
| Current portion | (97,476) | (198,390) |
| Noncurrent portion | ₱1,741,500 | ₱1,728,000 |

| | March 31, 2017 | December 31, 2016 |
|--------------------|-----------------------|-------------------|
| Parent | ₱52,500 | ₱90,000 |
| RLC | 500,000 | 531,390 |
| RVHC | 1,189,000 | 1,305,000 |
| Noncurrent portion | ₱ 1,741,500 | ₱1,926,390 |

Loan of the Parent Company

The bank loan is classified as follows:

| | March 31, 2017 | December 31, 2016 |
|--------------------|-----------------------|-------------------|
| Current portion | ₱30,000 | ₱30,000 |
| Noncurrent portion | 52,500 | 60,000 |
| | ₱82,500 | ₱90,000 |

On September 20, 2012, the Parent Company obtained a short-term loan from BPI amounting to ₱400.0 million, which bore interest at prevailing market rate (initially at 4.50%) with a maturity period of 30 days.

On January 21, 2013, BPI approved the modified principal repayment schedule of the short-term loan into a long-term loan, which bears interest ranging from 4.50% to 5.50% and is payable quarterly in arrears. The principal is payable in 20 equal amortization starting January 20, 2015 until December 20, 2019.

As at March 31, 2017 and December 31, 2016, the said loan is secured by real estate mortgages and pledge over shares of stock owned by the Parent Company as follows:

| | |
|--|-----------------|
| Shares of stock of RHI (99.6 million shares) | ₱322,265 |
| Real estate for sale and development of RLC (Note 9) | 178,821 |
| Investment properties (Note 13) | 6,838 |
| Property and equipment (Note 12) | 32 |
| | ₱507,956 |

Loan of RLC

The bank loan is classified as follows:

| | 2017 | 2016 |
|--------------------|-----------------|-----------------|
| Current portion | ₱23,476 | ₱31,390 |
| Noncurrent portion | 500,000 | 500,000 |
| | ₱523,476 | ₱531,390 |

In 2013, RLC obtained a new term loan facility from BDO amounting to ₱130.0 million. The loans bear fixed interest of 4.25%, which is being repriced every 30 to 180 days. Principal amounts are payable quarterly after the one-year grace period for five years until 2018.

The loan facility is secured by RLC's real estate for sale and development amounting to ₱2.1 million as at March 31, 2017 and December 31, 2016 (see Note 9).

On June 30, 2016, RLC obtained a new loan from BPI, with RCI as the co-mortgagor, amounting to ₱500.0 million. The loan bears variable interest rate and is repriced every quarter. Principal amount is payable quarterly for five years until 2023 with the first payment payable after two years from the release of the loan. As at March 31, 2017 and December 31, 2016, the loan from BPI is secured by RLC's real estate for sale and development amounting to ₱178.8 million (see Note 9) and certain properties of the Parent Company.

Loan of RVHC

As at December 31, 2015, RVHC had drawn total loan of ₱750.00 million from the loan facility. On July 30, 2016, an additional ₱30.00 million was drawn from BPI, however, an amount of ₱15.00 million was paid on September 27, 2016.

In October 2015, the Company entered into a loan facility with BDO amounting to ₱385.00 million for general working capital purposes, and for the development of two GoHotels. As at December 31, 2015, RVHC had drawn ₱325.00 million from the loan facility. Further, an additional ₱215.00 million was drawn in 2016.

The loan facilities are secured by RVHC's Projects amounting to ₱1,574.2 million as at March 31, 2017 and December 31, 2016 (see Note 12).

Interest Expense

Total interest expense recognized from short-term and long-term loans amounted to ₱14.8 million and ₱5.8 million for the three months ended March 31, 2017 and in 2016, respectively.

Loan Covenants

The long-term borrowings of the Parent Company and RLC are subject to certain covenants, such as but not limited to:

- maintenance of debt service coverage ratio (DSCR) of at least 1:1 and debt to equity ratio of not more than 0.75:1.00;
- prohibition on sale, lease, transfer, or otherwise disposal of any of its properties and assets, or its existing investments therein;
- prohibition on any material change in ownership or control of its business or capital stock or in the composition of its top level management and;
- prohibition on declaration or payment of dividends or any other capital or other asset

distribution to its stockholders.

The Parent Company obtained a letter from the creditor bank approving the suspension of the DSCR requirement effective for the periods starting of October 1, 2016 and ending of December 31, 2017.

Maturities

The maturities of the long-term borrowings are as follow:

| | March 31, 2017 | December 31, 2016 |
|----------------------------|---------------------------|----------------------|
| Less than one year | ₱97,476 | ₱198,390 |
| Between one and two years | 276,095 | 107,000 |
| Between two and five years | 1,465,405 | 1,621,000 |
| Over five years | – | – |
| | ₱1,838,976 | ₱1,926,390 |

16. Trade and Other Payables

This account consists of:

| | March 31, 2017 | December 31, 2016 |
|---|-----------------------|-------------------|
| Trade | ₱82,200 | ₱180,281 |
| Retention payable | 114,849 | 83,154 |
| Accrued expenses: | | |
| Outside services | 18,378 | 72,615 |
| Interest | 9,355 | 6,053 |
| Payroll and other benefits | 2,516 | 4,588 |
| Others | 48,943 | 13,930 |
| Due to related parties (Note 19) | 35,389 | 63,196 |
| Customers' deposits | 19,891 | 30,959 |
| Payables to government agencies for taxes and statutory contributions | 19,821 | 21,793 |
| Deferred income | 9,753 | 10,242 |
| Payables to contractors | 25,693 | 8,630 |
| Dividends (Note 18) | 1,202 | 1,202 |
| Others | 26,622 | 17,054 |
| | ₱414,612 | ₱513,697 |

Trade payables are noninterest-bearing and are generally settled within 30 days.

Retention payable pertains to amounts withheld on payments made to contractors equivalent to 10% of the amount billed. The amounts withheld will be remitted to the contractors upon successful completion of the related projects and acceptance by the Group.

Accrued other expenses consist principally of accruals for purchase of goods and services such as utilities, freight and handling and repairs and maintenance.

Customers' deposits represent noninterest-bearing cash received from the sale of real estate properties, which did not meet the revenue recognition criteria as set out in Note 4. Deposits from sale of real estate properties will be applied against the receivable from the customers upon recognition of revenue.

Payables to government agencies and other payables are noninterest-bearing and are normally settled throughout the year.

Deferred income pertains to collections from buyers exceeding the recognized sale of real estate based on percentage-of-completion.

Payables to contractors pertain to liabilities for the services rendered for the construction of the coconut plant facility.

17. Retirement Benefits

The Parent Company, RLC and AHC maintain individual and separate funded non-contributory defined benefit plans covering all eligible employees.

The cumulative remeasurement gain on retirement liability (shown as part of other equity reserve) recognized as other comprehensive income amounted to ₱3.3 million, net of tax, as at March 31, 2017 and December 31, 2016.

Retirement Liability

Retirement liability recognized in the consolidated statements of financial position as at March 31, 2017 and December 31, 2016 follows:

| | |
|-----------------------------|----------------|
| Present value of obligation | ₱30,397 |
| Fair value of plan assets | (10,743) |
| <u>Retirement liability</u> | <u>₱19,654</u> |

Movements in the defined benefit obligation as at March 31, 2017 and December 31, 2016 follow:

| | |
|---------------------------------|----------------|
| Balance at beginning of period | ₱28,766 |
| Current service cost | 1,435 |
| Interest cost | 196 |
| Actuarial gain | — |
| <u>Balance at end of period</u> | <u>₱30,397</u> |

Movements in the fair value of plan assets as at March 31, 2017 and December 31, 2016 follow:

| | |
|---------------------------------|----------------|
| Balance at beginning of period | ₱10,743 |
| Actuarial loss | — |
| <u>Balance at end of period</u> | <u>₱10,743</u> |

Plan assets of the Parent Company and RLC as at March 31, 2017 and December 31, 2016 consist of:

| | |
|--|-------------|
| Cash in banks and cash equivalents | 25% |
| Government securities and other assets | 75% |
| | <u>100%</u> |

The Parent Company and RLC are expected to contribute a total of ₱4.1 million to its respective plans in 2017.

The latest actuarial valuation of the plan is as of September 30, 2016, which was also used for the estimation of the retirement benefits as at March 31, 2017 and December 31, 2016.

The principal actuarial assumptions used in determining retirement benefits and gratuities cost as at beginning of each period follows:

| | March 31, 2017 | December 31, 2016 |
|-------------------------|-----------------------|-------------------|
| Discount rate | 4.34% to 4.42% | 4.34% to 4.42% |
| Future salary increases | 5.00% | 5.00% |

The sensitivity analysis based on reasonably possible changes of the assumptions as at March 31, 2017 are as follows:

| | Change in Assumption | Effect on Retirement Liability |
|---------------|----------------------|--------------------------------|
| Discount Rate | +0.5% | (₱1,412) |
| | -0.5% | 1,525 |
| Salary Rate | +1% | 3,042 |
| | -1% | (2,664) |

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the retirement liability was expressed as a percentage change from the base retirement liability.

The maturity analysis of the undiscounted payments as of March 31, 2017 are as follows:

| | Amount |
|----------------------------------|---------|
| One year and less | ₱2,200 |
| More than one year to five years | 6,400 |
| More than five years to 10 years | 38,400 |
| More than 10 years to 15 years | 33,100 |
| More than 15 years to 20 years | 29,900 |
| More than 20 years | 139,300 |

Weighted average duration of the defined benefit liability is 21 years.

The expected return of plan assets were determined based on a reputable fund trustee's yield rate for risk portfolio similar to that of the fund with consideration to the fund's past performance.

18. Equity

a. Capital Stock

| | March 31, 2017 | | December 31, 2016 | |
|---------------------------------------|----------------------|--------------------|-------------------|-------------|
| | Number of Shares | Amount | Number of Shares | Amount |
| “Class A” common stock - ₱1 par value | | | | |
| Authorized | 3,375,000,000 | ₱3,375,000 | 3,375,000,000 | ₱3,375,000 |
| Issued - | | | | |
| Balance at beginning and end of year | 2,911,885,869 | ₱2,911,886 | 2,911,885,869 | ₱2,911,886 |
| Treasury stock: | | | | |
| Balance at beginning of year | (938,018,483) | (1,594,631) | (938,087,667) | (1,594,749) |
| Issuances | 2,000,000 | 3,400 | 69,184 | 118 |
| Balance at end of year | (936,018,483) | (1,591,231) | (938,018,483) | (1,594,631) |
| Issued and outstanding | 1,975,867,386 | 1,320,655 | 1,973,867,386 | ₱1,317,255 |

On December 3, 2013, the Company implemented the buyback of 990,384,775 shares from four of its stockholders at the price of ₱1.70 a share in a private sale, amounting to ₱1,683.7 million and representing 34% of the issued and outstanding capital stock of the Company. The BOD approved the plan to buy back shares on November 13, 2013.

Consequently, the BOD approved the appropriation of a portion of retained earnings amounting to ₱1,683.7 million for the cost of treasury shares acquired.

On May 18, 2015, the Company has issued 50.0 million treasury shares for ₱2.00 a share aggregating ₱100.0 million, resulting to an increase in additional paid-in capital amounting to ₱15.0 million.

For the fiscal year ended September 30, 2016, the Parent Company has issued 2.3 million treasury shares, on various dates, ranging from ₱2.21 to ₱2.47 a share aggregating ₱3.9 million, resulting to an increase in additional paid-in capital amounting to ₱1.5 million.

For the year ended December 31, 2016, the Parent Company issued 69,184 treasury shares based on the market rate of ₱2.19 per share aggregating ₱0.2 million, resulting to an increase in additional paid-in capital amounting to ₱5,996, net of transaction costs of ₱27,904.

b. Track Record of Registration

| Date | Number of Shares Licensed | Issue/Offer Price |
|--------------------|---------------------------|-------------------|
| October 7, 1918 | 15,000 | ₱100.00 |
| February 15, 1963 | 2,500,000 | 10.00 |
| September 30, 1969 | 3,000,000 | 10.00 |
| January 13, 1977 | 5,000,000 | 10.00 |
| May 21, 1990 | 12,500,000 | 10.00* |
| December 3, 1996 | 200,000,000 | 1.00 |
| October 26, 1999 | 400,000,000 | 1.00 |
| April 2, 2002 | 2,000,000,000 | 1.00 |
| February 7, 2005 | 1,962,500,000 | 1.00 |
| June 23, 2009 | 3,375,000,000 | 1.00 |

* Par value was subsequently reduced to ₱1.00

c. Other equity reserves

Details of other equity reserves follow:

| | March 31, 2017 | December 31, 2016 |
|--|-----------------|-------------------|
| Revaluation Increment on Land | | |
| Balance at end of year | ₱280,091 | ₱280,091 |
| Share in Revaluation Increment on Land of an Associate | | |
| Balance at beginning of period | 45,497 | 45,497 |
| Share in revaluation increment on land, net of tax | – | – |
| Balance at end of period | 45,497 | 45,497 |
| Cumulative Share in Changes in Fair Value of AFS Financial Assets of an Associate | | |
| Balance at beginning and end of period | 5,129 | 5,129 |
| Revaluation Increment on Land of a Subsidiary | | |
| Balance at beginning of period | 12,280 | 3,766 |
| Share in appraisal increase, net of tax | – | 8,514 |
| Balance at end of period | 12,280 | 12,280 |
| Cumulative Remeasurement Gain (Loss) on Retirement Liability | | |
| Balance at beginning of period | 3,281 | 3,281 |
| Remeasurement gain, net of tax | 176 | – |
| Balance at end of period | 3,457 | 3,281 |
| Cumulative Share in Remeasurement Gain (Loss) on Retirement Liability of Associates | | |
| Balance at beginning of period | (15,726) | (15,726) |
| Share in remeasurement loss, net of tax | – | – |
| Balance at end of period | (15,726) | (15,726) |
| | ₱330,728 | ₱330,552 |

Restructuring on equity and revaluation increment on land

In 2002, RHI undertook the Reorganization Program. As part of the Reorganization Program, the sugar milling and refinery business in Nasugbu, Batangas was spun-off to CADPI. The assets and liabilities, excluding the land in Nasugbu, were transferred by RHI as capital contribution to CADPI. Such properties transferred include revaluation increment on depreciable property, plant and equipment amounting to ₱150.6 million. Thus, the carrying value of the net assets transferred to CADPI, including the revaluation increment, was deemed as the historical cost of such assets for CADPI.

On December 1, 2002, RHI exchanged its shareholdings in CADPI, CADPI Consultancy Services, Inc. (CCSI) and CADPI Farm Services, Inc. (CFSI) for ₱1.3 billion of common shares of CADP Group Corporation (CADPGC) with a par value of ₱1 a share for ₱2.0 billion, the cost of investments of RHI immediately before transfer. CADPGC recognized a premium of ₱596.8 million and share in revaluation increment in property of subsidiary amounting to ₱150.6 million. Consequently, RHI's equity interest in CADPGC increased and CADPI, CCSI and CFSI became wholly owned subsidiaries of CADPGC. CCSI and CFSI were subsequently merged with CADPI, as the surviving entity, in 2014.

On July 1, 2004, CADPGC's Negros sugar milling business was spun-off, which was the last phase of the Reorganization Program. The said spin-off, as approved by the SEC on February 10, 2004, involved the transfer of CADPGC's net assets aggregating to ₱1.4 billion in exchange for CACI's 200 million common shares at ₱1 per share. The basis of valuation of

the CACI shares received by CADPGC was the carrying value of the transferred net assets, which included the land at appraised values.

CADPGC and Roxas & Company, Inc. have undertaken a merger effective June 29, 2009, with CADPGC, as the surviving entity. On the same date, the SEC approved the change in corporate name of CADPGC to Roxas and Company, Inc. The transaction was accounted for under pooling of interest and as such, comparative balances were presented as if the combining entities have always been combined. As a result, the investment of Roxas & Company, Inc. in CADPGC amounting to ₱119.0 million in 2008 prior to the merger was accounted for as treasury stock and revaluation increment on land of CADPGC increased to ₱280.0 million from ₱150.6 million. Further, the excess between the consideration received and equity acquired arising from the merger was recognized by the combined entities as a component of equity under "Other equity reserve," which amounted to ₱4.0 billion in 2009.

In fiscal year ended June 30, 2011, the Group opted to transfer the debit balance in the "Other equity reserve" arising from the merger between CADPGC and Roxas & Company, Inc. as discussed in the preceding paragraph, to deficit. Management believes that such transfer of the debit balance in the "Other equity reserve" arising from the merger will result to a more useful and relevant financial statements. The transfer of the debit balance in the "Other equity reserve," consequently, resulted to retained earnings as at June 30, 2011. In January 2011, the SEC had concurred with the adjustments made by the Parent Company (see Note 13).

d. Retained Earnings

Details of retained earnings follow:

| | March 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Appropriated/Restricted | | |
| Balance at beginning of period | ₱2,081,251 | ₱2,081,369 |
| Reversal for treasury stock | (3,400) | (118) |
| Balance at end of period | ₱2,077,851 | ₱2,081,251 |
| Unappropriated | | |
| Balance at beginning of period | ₱1,644,013 | ₱1,733,882 |
| Net income (loss) | 15,468 | (89,987) |
| Cash dividends | - | - |
| Appropriation (reversal) for treasury stock | 3,400 | 118 |
| Balance at end of period | 1,662,881 | 1,644,013 |
| | ₱3,740,732 | ₱3,725,264 |

Restricted and/or Appropriated Retained Earnings

Retained earnings that are not available for dividend declaration are as follows:

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| Appropriation for treasury stock | ₱1,591,231 | ₱1,594,631 |
| Net unrealized fair value gains on investment | | |
| properties included in the retained earnings | 283,545 | 283,545 |
| Application of revaluation increment against deficit | 203,075 | 203,075 |
| | ₱2,077,851 | ₱2,081,251 |

On October 14, 1999, the SEC approved the Parent Company's quasi-reorganization, which involved the elimination of deficit amounting to ₱203.1 million as at July 31, 1999 by offsetting the entire amount against the revaluation increment on land.

For purposes of dividend declaration, the retained earnings of the Parent Company should be restricted to the extent of the deficit wiped out by the appraisal increment and the gain on

changes in fair value on investment properties that was closed to retained earnings, net of the debit balance of “Other equity reserves” (see Note 13).

On November 13, 2014, the Parent Company appropriated a portion of its retained earnings amounting to ₱1,683.6 million for the cost of treasury shares acquired.

Dividend Declaration

Cash dividends declared by the Parent Company against the unappropriated retained earnings are as follows:

| Date Approved | Dividend | | Stockholders of | |
|-------------------|-----------|--------------|------------------|------------------|
| | Per Share | Total Amount | Record Date | Payment Date |
| December 18, 2015 | ₱0.01 | ₱19,734 | January 15, 2016 | February 5, 2016 |
| December 12, 2014 | 0.02 | 38,430 | January 15, 2015 | January 30, 2015 |
| December 13, 2013 | 0.02 | 38,430 | January 6, 2014 | January 30, 2014 |

Dividends payable amounted to ₱1.2 million as at March 31, 2017 and December 31, 2016 (see Note 16).

e. Share Prices

The principal market for the Parent Company’s share of stock is the PSE. The high and low trading prices of the Parent Company’s share for each quarter within the last three periods are as follows:

| Quarter | High | Low |
|-------------------------------------|-------|-------|
| January 2017 through March 2017 | ₱2.37 | ₱2.00 |
| October 2016 through December 2016 | 2.34 | 2.20 |
| October 2015 through September 2016 | | |
| First | 3.20 | 2.85 |
| Second | 2.88 | 2.78 |
| Third | 3.60 | 2.60 |
| Fourth | 2.53 | 2.31 |
| October 2014 through September 2015 | | |
| First | 2.80 | 2.80 |
| Second | 2.95 | 2.57 |
| Third | 2.89 | 1.70 |
| Fourth | 2.80 | 1.57 |

19. Related Party Transactions and Balances

The transactions and related balances of the Group with other related parties are as follows:

| Related Party | Nature of Transaction | Period | Transactions during the Period* | Trade and Other Receivables (see Note 8) | Amount Due to Related Parties (see Note 16) |
|-------------------|------------------------------|-----------------------|---------------------------------|--|---|
| Associates | | | | | |
| FDC | Noninterest-bearing advances | March 31, 2017 | ₱- | ₱40,362 | ₱2,388 |
| | | December 31, 2016 | - | 40,362 | 2,388 |
| | Noninterest-bearing advances | March 31, 2017 | - | - | 10,822 |
| | | December 31, 2016 | - | - | 10,822 |
| FLC | Dividends receivable | March 31, 2017 | - | 4,624 | - |
| | | December 31, 2016 | - | 4,624 | - |

(Forward)

| Related Party | Nature of Transaction | Period | Transactions during the Period* | Trade and Other Receivables (see Note 8) | Amount Due to Related Parties (see Note 16) |
|---------------------------------------|---|-----------------------|---------------------------------|--|---|
| RADC | Noninterest-bearing advances | March 31, 2017 | – | – | 10,966 |
| | | December 31, 2016 | – | – | 10,966 |
| CACI | Interest-bearing advances | March 31, 2017 | (3,600) | – | 344 |
| | | December 31, 2016 | (3,600) | – | 3,944 |
| Joint Ventures | | | | | |
| JVPI | Noninterest-bearing advances | March 31, 2017 | – | 1,021 | 119 |
| | | December 31, 2016 | – | 1,021 | 119 |
| Marilo Realty Development Corporation | Noninterest-bearing advances | March 31, 2017 | 520 | 784 | 337 |
| | | December 31, 2016 | 94 | 1,272 | 305 |
| LPC | Defrayment of cost and expenses for restructuring | March 31, 2017 | 354 | 3,112 | 10,413 |
| | | December 31, 2016 | 2,948 | 3,112 | 23,573 |
| Others | Noninterest-bearing advances | March 31, 2017 | 148 | 44,968 | |
| | | December 31, 2016 | – | 15,007 | 11,079 |
| | | March 31, 2017 | | ₱94,851 | ₱35,389 |
| | | December 31, 2016 | | ₱65,398 | ₱63,196 |

*Amounts represent transactions for the three months ended March 31, 2017 and December 31, 2016.

- In the normal course of business, the Parent Company extends/avails of advances to/from its related parties, with no definite repayment terms. The advances to and from related parties are noninterest-bearing, except for short-term loan to CACI, which bears interest at 3% and interest-bearing advances to FDC, which bear interest at 10%.
- In 2004, RLC and LPC by way of a Deed of Assignment of Rights, assigned to Punta Fuego Holdings Corporation (PFHC) the rights and privileges to their 105 and 245 club shares in CPFI, respectively. In consideration of the assignment of rights and privileges, PFHC pays RLC and LPC an amount equivalent to 85% of the net income earned from the club shares to be remitted on or before May 5 of each year beginning 2005. The respective shares of RLC and LPC were computed in proportion to the number of club shares they have each assigned. In 2005, PFHC and FDC merged with FDC, as the surviving entity. As a result, FDC assumed the said liability of PFHC to RLC. RLC did not recognize assignment fee in 2017 and 2016.

Outstanding balances at yearend are unsecured and settlement normally occurs in cash, unless otherwise indicated above. No guarantees have been provided or received for these balances. Advances to and from related parties are noninterest-bearing and have no fixed repayment terms unless otherwise indicated above. Impairment review is undertaken each reporting date. As at March 31, 2017 and December 31, 2016, allowance for impairment loss amounting to ₱3.1 million pertains to due from LPC.

- Compensation of key management personnel is as follows:

| | March 31, 2017 | March 31, 2016 |
|----------------------------------|-----------------------|----------------|
| Salaries and short-term benefits | ₱10,387 | ₱4,283 |
| Retirement benefits | 1,143 | 500 |
| | ₱11,530 | ₱4,783 |

Directors' Remuneration

On May 14, 2013, the BOD of the Parent Company approved the increase in the directors' remuneration, payable in cash and shares of stock of the Parent Company.

On May 14, 2015, the BOD of the Parent Company approved to settle the directors' remuneration for the period August 13, 2013 to February 20, 2015 in cash, equivalent to the market value of the shares, which is the closing price of shares on the last trading day immediately preceding the board meeting.

Details are as follows:

| Date of Meeting | Number of Shares | Market Value a Share | Amount |
|-----------------|------------------|----------------------|----------|
| May 17, 2015 | 90,674 | ₱1.9 | ₱175,000 |
| August 20, 2015 | 68,681 | 1.8 | 125,000 |

In December 2015, the Parent Company settled the outstanding liability through issuance of 159,355 treasury shares amounting to ₱300,000.

The Parent Company settled director's remuneration through issuance of treasury shares for the regular board meetings held as follows:

| Date of Meeting | Number of shares | Market Value per Share | Amount |
|-------------------|------------------|------------------------|----------|
| December 18, 2015 | 52,085 | ₱2.40 | ₱125,004 |
| May 19, 2016 | 67,266 | 2.28 | 153,366 |
| August 12, 2016 | 56,305 | 2.21 | 124,434 |
| December 16, 2016 | 68,184 | 2.19 | 149,323 |

The expense recognized on the foregoing amounted to ₱0.1 million and nil for the three months ended March 31, 2017 and 2016, respectively, presented as part of "Salaries and employee benefits" account in the unaudited interim consolidated statements of comprehensive income.

20. Operating Expenses

Operating expenses consist of:

| | March 31, 2017 | March 31, 2016 |
|-------------------------------------|----------------|----------------|
| General and administrative expenses | ₱64,503 | ₱24,301 |
| Selling expenses | 12,860 | 7,612 |
| | ₱77,363 | ₱31,913 |

General and administrative expenses from consist of:

| | March 31, 2017 | March 31, 2016 |
|---|----------------|----------------|
| Salaries, wages and other employee benefits (Notes 17 and 21) | ₱33,633 | ₱12,484 |
| Outside services | 3,799 | 364 |
| Representation and entertainment | 790 | 1,220 |
| Taxes and licenses | 2,728 | 4,385 |
| Communication, light and water | 2,711 | 440 |
| Depreciation and amortization (Note 12) | 4,788 | 1,181 |
| Rent | 1,405 | 478 |
| Insurance | 68 | 63 |
| Travel and transportation | 1,188 | 1,196 |
| Materials and consumables | 448 | 397 |
| Repairs and maintenance | 283 | 189 |
| Others | 12,662 | 1,904 |
| | ₱64,503 | ₱24,301 |

Others include professional fees, training and development and other miscellaneous charges.

Selling Expenses

This account mainly pertains to marketing, commission on real estate sales and advertising and promotion expenses.

21. Personnel Costs

The components of employee benefits from continuing operations presented under “General and administrative expenses” account (see Note 20) in the consolidated statements of income are as follows:

| | March 31, 2017 | March 31, 2016 |
|--|----------------|-----------------|
| Salaries and wages | ₱28,658 | ₱ 9,636 |
| Allowances and other employee benefits | 3,238 | 1,275 |
| Retirement benefits (Note 17) | 1,737 | 1,573 |
| | ₱33,633 | ₱ 12,484 |

22. Other Income (Charges)

Other income (charges) consists of:

| | March 31, 2017 | March 31, 2016 |
|------------------|----------------|----------------|
| Management fees | ₱4,521 | ₱2,299 |
| Interment income | 22 | 61 |
| Others | 8,152 | 911 |
| | ₱12,695 | ₱ 3,271 |

23. Income Taxes

a. Provision for (benefit from) income taxes comprise the following:

| | March 31, 2017 | March 31, 2016 |
|----------|----------------|----------------|
| Current | ₱770 | ₱566 |
| Deferred | 3,262 | – |
| | ₱4,032 | ₱566 |

b. The components of the recognized deferred tax assets and liabilities represent the tax effects of the following temporary differences:

| | March 31, 2017 | | December 31, 2016 | |
|---|--|--|--|--|
| | Net Deferred Income Tax Asset ⁽¹⁾ | Net Deferred Income Tax Liabilities ⁽¹⁾ | Net Deferred Income Tax Asset ⁽¹⁾ | Net Deferred Income Tax Liabilities ⁽¹⁾ |
| Deferred tax assets on: | | | | |
| NOLCO | ₱17,736 | ₱11,439 | ₱17,736 | ₱11,439 |
| Customers' deposit | 11,995 | – | 11,995 | – |
| Allowance for: | | | | |
| Impairment losses of receivables | 8,418 | – | 8,418 | – |
| Impairment losses on investments in associates | 1,384 | – | 1,384 | – |
| Retirement liability | 2,893 | – | 5,846 | – |
| Excess MCIT | 1,308 | 161 | 1,308 | 161 |
| Various accruals | 465 | – | 465 | – |
| | 44,199 | 11,600 | 47,152 | 11,600 |
| Deferred tax liabilities on: | | | | |
| Taxable temporary difference arising from use of installment method of revenue recognition for tax reporting | (14,290) | – | (14,290) | – |
| Appraisal increase of land (Forward) | – | (20,444) | – | (20,444) |

| | March 31, 2017 | | December 31, 2016 | |
|--------------------------------------|--|--|--|--|
| | Net Deferred Income Tax Asset ⁽¹⁾ | Net Deferred Income Tax Liabilities ⁽¹⁾ | Net Deferred Income Tax Asset ⁽¹⁾ | Net Deferred Income Tax Liabilities ⁽¹⁾ |
| | Prepaid commissions | (153) | – | (153) |
| Borrowing costs | (32) | – | (32) | – |
| Net unrealized foreign exchange gain | (6) | (1) | (6) | (1) |
| | (14,481) | (20,445) | (14,481) | (20,445) |
| Net deferred tax assets | ₱29,718 | (₱8,845) | ₱32,671 | (₱8,845) |

⁽¹⁾ Pertained to RCI, RLC and AHRC.

24. Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share are computed as follows:

| | March 2017 | March 2016 |
|---|----------------------|---------------|
| Net income (loss) attributable to the equity holders of the Parent Company: | ₱15,468 | ₱39,556 |
| Weighted average number of shares issued and outstanding: | | |
| Issued and outstanding ordinary shares | 1,973,798,202 | 1,973,798,202 |
| Basic/diluted earnings (loss) per share: | ₱0.003 | ₱0.020 |

There are no potential dilutive common shares as at March 31, 2017 and 2016.

25. Contingencies and Commitments

Contingencies

Land Properties Subjected to the CARL

The CARL provides, among others, the redistribution of all private and agricultural lands regardless of tenurial arrangements and commodity produced, subject to certain terms and conditions.

Prior to the effectivity of the CARL, the Parent Company was the registered owner of around 2,900 hectares of land located in Nasugbu, Batangas. In 1993, the Department of Agrarian Reform (DAR) issued Notices of Coverage, and subsequently, Certificates of Land Ownership Awards (CLOA) covering 2,676 hectares of the Parent Company's three *haciendas*, namely: Palico, Banilad and Carmen/Caylaway.

Sometime in 1993, the Parent Company filed a case questioning the DAR's acquisition proceedings and asking for the cancellation of the CLOA. On December 17, 1999, the Supreme Court promulgated its Decision in GR No. 127876 nullifying the DAR acquisition proceedings over the three *haciendas*. The High Tribunal ruled that the Parent Company's right to due process was violated by the DAR. However, the Supreme Court did not nullify the CLOA that were issued by the DAR despite its declaration that the acquisition proceedings were null and void.

In May 2000, the Parent Company filed with the DAR an application for the exemption with the CARL of its three *haciendas* in Nasugbu, Batangas. The application for exemption was based on Presidential Proclamation (PP) No. 1520, which declared the entire municipality of Nasugbu, Batangas as a Tourist Zone. The Parent Company likewise filed applications for exemption for certain smaller land areas based on the 1982 Zoning Ordinance of Nasugbu, Batangas.

In December 2009, the Supreme Court ruled that the PP No. 1520 did not automatically reclassify the agricultural land in Nasugbu, Batangas to non-agricultural land. However, the Supreme Court

noted that the Parent Company “can only look to the provisions of the Tourism Act and not to the PP No. 1520, for possible exemption.”

On February 8, 2011, the Supreme Court denied the Parent Company’s Second MR and affirmed with finality its December 2009 decision.

Consequently, in April 2010, the Parent Company filed with the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) an application to declare 14 specific geographical areas within the landholdings of the Parent Company as tourism zones. To date, this application has remained unacted upon by the TIEZA.

In September 2011, the Supreme Court affirmed the exemption of the 21.1236-hectare property from the coverage of the Comprehensive Agrarian Reform Program (CARP).

In October 2012, the Parent Company disclosed that the DAR published the Notice of Coverage (NOC) on several RCI properties aggregating 2,514.76 hectares. The Parent Company filed a protest in the office of the DAR against the wrongful coverage (failure to observe the proper rules before publishing the said Notice of Coverage and the applicable law (Republic Act - RA No. 6657 vs. RA No. 9700). On June 17, 2014, the DAR issued a revised NOC covering RCI properties aggregating 2,300.60 hectares.

On October 16, 2013, the DAR ordered the denial of the Protest. On December 9, 2013, the Parent Company filed a Motion for Reconsideration (MR) with the DAR. On April 15, 2014, the DAR denied the MR of the Parent Company. On June 27, 2014, the Parent Company filed a Petition for Certiorari to the Court of Appeals (CA). As at the date of the report, the petition is still pending before the CA.

On May 7, 2016, the DAR denied the application for exemption filed by the Parent Company for the 285.9 hectares of land located in Nasugbu, Batangas. On June 27, 2016, the Parent Company filed an MR and is now pending resolution by the DAR.

The Parent Company shall account for any legal and financial liabilities arising from the land properties subject to the CARL upon the resolution of ownership by the Court.

In total, there are about 222 hectares of land that were declared by the courts or the DAR as exempt from the coverage of the CARL, including the 21 hectare property declared exempt by the Supreme Court in its Decision dated September 5, 2011 in GRN 169331.

On May 14, 2013, the BOD approved to authorize management to begin negotiations with the DAR for possible voluntary offer to sell (VOS) of 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway. However, the said negotiations have not yet commenced as the possible VOS is merely an option that the Company will consider after exhausting all means possible. The intention by management of whether to push through with the VOS is dependent on the outcome of the applications for exemption, exclusion or conversion of land covered by the CARP/CARL.

On December 13, 2013, the BOD of the Parent Company approved management’s request for reconfirmation of management’s plan to explore the government’s VOS program using 76 hectares in Hacienda Palico and 26 hectares in Hacienda Caylaway under certain conditions. This supersedes all previous proposals relating to the government’s VOS program. As at the date of the report, there is no agreement yet with the DAR on the properties approved for possible VOS.

In the opinion of management and legal counsel, there are no other pending labor or other legal cases and claims in the ordinary course of business that will have a material effect on the financial

position and performance of the Group, except for the disputed claims for which the Group did not recognize a provision for losses for the three months ended March 31, 2017 and 2016.

Joint Operations

On December 2, 2009, RLC entered into a joint arrangement with VJPI for the development of Anya Resorts and Residences in Tagaytay, Cavite. RLC agreed to contribute the business and conceptual development plan, land development costs and management expertise and manpower for the full and effective implementation of the development plan. In addition, RLC also advanced ₱10.0 million to VJPI as an indication of its commitment to the project. In return for their respective contributions, the parties agreed to distribute and allocate between them the developed saleable lots and villas.

As at March 31, 2017 and December 31, 2016, the Project is fully sold. Outstanding balance due from VJPI amounted to ₱1.0 as at March 31, 2017 and December 31, 2016 is included as part of due from related parties and presented in the consolidated statements of financial position (see Note 19).

Lease-back Guarantee

During the year ended September 30, 2014, RLC entered into a lease-back guarantee with buyers of Anya Resort Suites. The said buyers will be entitled to a guaranteed lease along with the usage allowance for the first five years, equivalent to a 37% of the purchase price, inclusive of fixtures, furniture and equipment and VAT. The hotel operator will be A1HRC, wholly owned subsidiary of the RLC.

Lease Commitments

The Parent Company has an existing lease agreement for a portion of its investment property with a third party for a period of three cropyears until December 20, 2016. Rent income recognized amounted to ₱0.225 million for the months ended March 31, 2017 and 2016 (see Note 13).

Future minimum lease receivable for less than one year amounted to ₱0.9 million as at March 31, 2017 and December 31, 2016. Future minimum lease receivable after one year but not more than five years amounted to ₱0.9 million as at March 31, 2016.

Unused Credit Lines

As at March 31, 2017 and December 31, 2016, the Group has unused lines of credit with local banks amounting to ₱972.8 and ₱978.4 million, respectively (see Notes 14 and 15).

26. Financial Instruments

Risk Management, Objectives and Policies

The principal financial instruments comprise of cash in banks and cash equivalents, receivables and payables, which arise directly from its operations, and short and long-term borrowings. The Group has other financial instruments such as restricted cash and dividends payable.

The main risks arising from the financial instruments are liquidity risk, interest rate risk and credit risk. Risk management is carried out by senior management under the guidance and direction of the BOD of the Parent Company.

Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations.

The Group's objective is to maintain sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Group aims to maintain flexibility in funding by keeping track of daily cash flows and maintaining committed credit lines available (see Notes 14 and 15).

Credit risk

Credit risk is the risk that the Group will incur financial loss through default by counterparties in performing their obligations.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers comprising the Group's customer base and their dispersion across different geographic areas. It has policies in place to ensure that sales of goods are made to customers with an appropriate credit history. There is no concentration of credit risk with respect to receivables relating to real estate sales.

Credit risks for contract receivables is mitigated as the Group has the right to cancel the sales contract without risk for any court action and can take possession of the subject property in case of refusal by the buyer to pay on time the contracts receivables due. This risk is further mitigated because of the corresponding title to the party sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a qualitative risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Collaterals and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Credit quality per class of financial assets

The credit quality of receivables is managed by the Group through its Marketing Department.

High grade accounts are those receivables from counterparties with whom collections are made without much collection effort. Standard grade accounts consist of receivables from its distributors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

Impairment assessment

The main consideration for impairment assessment includes whether there are known difficulties in the cash flow of the counterparties. The Group assesses impairment in two ways: individually and collectively.

First, the Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, non-moving accounts receivable and other accounts of defaulted counterparties.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect their collectability.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest-bearing loans which bear floating interest rate and expose the Group to interest rate risk.

The quantitative disclosures on risks associated with the Group's financial instruments and the related risk management processes and procedures are disclosed in the annual consolidated financial statements as at and for the year ended December 31, 2016.

Capital Management

The primary objective of the capital management is to ensure that it maintains strong credit and healthy capital ratios in order to support its business and maximize shareholder value.

The dividend declaration is dependent on availability of retained earnings and operating requirements. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the three months ended March 31, 2017 and 2016.

Management considers the total consolidated equity reflected in the consolidated balance sheets as its capital. The Group monitors its use of capital using leverage ratios, specifically, DSCR and debt-to-equity ratio. It also monitors its DSCR to ensure that there would be sufficient amount of cash flow available to meet annual interest and principal payments on debt.

The Group is required to maintain a maximum debt-to-equity ratio of 2.33:1 and minimum DSCR of 1.25:1 by its creditor banks. The Group has the following debt-to-equity ratio:

| | March 2017 | December 2016 |
|------------------------------|--------------------|---------------|
| Total liabilities | ₱4,112,076 | ₱3,878,812 |
| Total equity | 7,392,232 | 7,381,887 |
| Total liabilities and equity | ₱11,504,308 | ₱11,260,699 |
| Debt-to-equity ratio | 0.56:1.0 | 0.53:1.0 |

On December 8, 2016, the Parent Company obtained a letter from the creditor bank approving the suspension of the DSCR requirement until end of 2017.

27. Fair Value Measurement

The Group has assets and liabilities that are measured at fair value on a recurring and no-recurring basis in the consolidated statements of financial position after initial recognition. Recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position at the end of each reporting period. These include AFS financial assets. Non-recurring fair value measurements are those that another PFRS requires or permits to be recognized in the consolidated statements of financial position in particular

circumstance. These include investment properties and land under property and equipment at revalued amount.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

External valuers are involved for valuation of significant assets which are investment properties and land under property and equipment. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussion with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash in banks and short-term placements, receivables, short-term borrowings, current portion of long-term borrowings, accounts payable and accrued expenses, dividends payable and due to related parties

The carrying amounts of these instruments approximate their fair values due to their short-term maturities.

Long-term borrowings

Fair values of long-term borrowings as at March 31, 2017 and December 31, 2016 were determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

The Group has no financial instruments carried at fair value in the consolidated financial statements as at March 31, 2017 and December 31, 2016.

Investment Properties

The valuation technique used for the investment properties and land under property and equipment is Sales Comparison Approach which is a process to value based on sales of similar or substitute properties and related market data and establishes a value estimated by processes involving comparison.

There are no transfers to Level 1 and Level 2 fair value measurement.

28. Segment Reporting

The Group's identified operating segments, which are consistent with the segments reported to the BOD, are as follows:

a. Real Estate

RLC is the real estate arm of the Group. RLC acquires, develops, improves, subdivides, leases and sells agricultural, industrial, commercial, residential and other real properties. The Group, through RLC, has subsidiaries, namely: AHC, SMMSI, RVHC, AHRC and A1HRC.

b. Hotel

RVHC is incorporated primarily to build and own a minimum of five “GoHotels” (the Projects) in Metro Manila and in selected provincial destinations over the next two to three years. In October 2016, Manila Airport Road GoHotel started its commercial operations. RVHC offers 24/7 hotel services to all customers of its budget hotel brand “GoHotels”. The first five hotels are located in Manila Airport Road, North EDSA, Cubao, Ermita and Timog -Quezon City.

c. Others

Other segments of the Group include the Parent Company, which owns various tracts of lands in Nasugbu, Batangas and RGEC, an entity established primarily for renewable energy and RSAI, an entity established primarily for the manufacture of coconut products and UVC, a leasing company.

The Group has only one geographical segment as all of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

The Parent Company’s BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenues and segment expenses are consistent with the consolidated statements of income.

Financing costs (including interest expense) and income taxes are managed on a per company basis and are not allocated to operating segments. Further, the measurement of the segments is the same as those described in the summary of significant accounting and financial reporting policies.

a. Segment revenue and expenses

The Group’s main revenue stream comes from the real estate. The real estate segment’s customers are mainly direct.

b. Segment assets and liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, real estate for sale and development, prepaid expenses and property and equipment, net of related accumulated depreciation. Segment liabilities include all operating liabilities and consist principally of trade payables, accruals and customers’ deposits. Segments assets and liabilities do not include deferred income taxes.

c. Inter-segment transfers

Segment revenue, expenses and results include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unrelated customers or by suppliers for similar goods or services.

The following tables present information about the Group's operating segments:

| March 31, 2017 (Unaudited) | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-----------------------|
| | Real Estate | Hotel | Others | Eliminations | Consolidated Balances |
| Sale of Real Estate | ₱82,707 | ₱18,607 | ₱- | ₱- | ₱ 101,314 |
| Cost of Real Estate Sales | (51,518) | (6,688) | - | - | (58,206) |
| Interest income | 2,246 | - | 96 | - | 2,342 |
| Interest expense | (3,994) | (5,780) | (5,068) | - | (14,842) |
| Others | (16,241) | (31,411) | (17,016) | - | (64,668) |
| Loss before income tax | 13,200 | (25,272) | (21,988) | - | (34,060) |
| Income tax expense | 4,032 | - | - | - | 4,032 |
| Segment Income (Loss) | 9,168 | (25,272) | (21,988) | - | (38,092) |
| Equity in net earnings of associates and a joint venture | (3,237) | - | - | 47,116 | 43,879 |
| Consolidated Net Income (Loss) | ₱5,931 | (₱25,272) | (₱21,988) | 47,116 | (₱5,787) |
| Assets and Liabilities | | | | | |
| Current assets | ₱1,344,816 | ₱250,084 | ₱480,353 | (₱512,000) | ₱1,563,253 |
| Noncurrent assets | 243,323 | 2,516,931 | 7,570,345 | (389,544) | 9,941,055 |
| Total Assets | 1,588,139 | 2,767,015 | 8,050,698 | (901,544) | 11,504,308 |
| Current liabilities | 759,403 | 426,038 | 1,654,469 | (494,584) | 2,345,326 |
| Noncurrent liabilities | 518,390 | 1,218,923 | 36,693 | (7,254) | 1,766,752 |
| Total Liabilities | ₱1,277,793 | ₱1,644,961 | ₱1,691,162 | (₱501,838) | ₱4,112,078 |
| | | | | | |
| March 31, 2016 (Unaudited) | | | | | |
| | Real Estate | Hotel | Others | Eliminations | Consolidated Balances |
| Sale of Real Estate | ₱48,349 | ₱- | ₱6,033 | (₱9,018) | ₱45,364 |
| Cost of Real Estate Sales | (30,633) | - | - | - | (30,633) |
| Interest income | 3,711 | - | 582 | - | 4,293 |
| Interest expense | (2,774) | - | (3,044) | - | (5,818) |
| Others | (23,898) | - | (10,491) | 5,747 | (28,642) |
| Income (loss) before income tax | (5,245) | - | (6,920) | (3,271) | (15,436) |
| Income tax expense | 566 | - | - | - | 566 |
| Segment Income (Loss) | (5,811) | - | (6,920) | (3,271) | (16,002) |
| Equity in net earnings of associates and a joint venture | (4,294) | - | - | 60,496 | 56,202 |
| Consolidated Net Income (Loss) | (₱10,105) | - | (₱6,920) | ₱57,225 | ₱40,200 |
| Assets and Liabilities | | | | | |
| Current assets | ₱1,405,766 | - | ₱387,423 | (₱491,937) | ₱1,301,252 |
| Noncurrent assets | 551,281 | - | 6,945,808 | (160,590) | 7,336,499 |
| Total Assets | 1,957,047 | - | 7,333,231 | (₱652,527) | 8,637,751 |
| Current liabilities | 840,203 | - | ₱1,074,615 | (₱493,089) | ₱1,421,729 |
| Noncurrent liabilities | 33,832 | - | 84,570 | - | 118,402 |
| Total Liabilities | ₱874,035 | ₱- | ₱1,159,185 | (₱493,089) | ₱1,540,131 |

29. The Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows that are Unusual Because of their Nature, Size or Incidence

Other than those disclosed in the notes to the unaudited interim consolidated financial statements, there are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents.

30. The Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Period of the Current Year or Changes in Estimates of Amounts Reported in Prior Years, if those Changes Have a Material Effect in the Current Interim Period

There are no significant changes in estimates reported in prior interim periods of the current year or changes in estimates reported in prior years, which are considered to have material effect on the unaudited interim consolidated financial statement



A N N E X “D”

Certification of Independent Directors

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **GUILLERMO D. LUCHANGCO**, Filipino, of legal age and with office address of 17th Floor, Robinson's Summit Centre, 6783 Ayala Avenue, Makati City after having duly sworn to in accordance with law do hereby declare that:

1. I am an independent director nominee of **Roxas and Company, Inc.** (formerly CADP Group Corporation) for the fiscal year 2016-2017.
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|---|-----------------------|----------------------|
| Investment & Capital Corp of the Philippines | Chairman | since March 1987 |
| ICCP Holdings Corp. | Chairman & CEO | since April 2007 |
| ICCP Managers, Inc. | Chairman & President | since October 1987 |
| Regatta Properties, Inc. | Chairman & CEO | since October 1993 |
| Pueblo de Oro Development Corp. | Chairman & CEO | since February 1995 |
| RFM-Science Park of the Philippines, Inc | Chairman & CEO | since August 1997 |
| Science Park of the Philippines, Inc. | Chairman & CEO | since March 1989 |
| Cebu Light Industrial Park, Inc. | Chairman & CEO | since December 1994 |
| ICCP Land Management, Inc | Chairman & CEO | since November 1988 |
| ICCP Ventures, Inc. | Chairman & CEO | since September 1989 |
| ICCP-SBI Venture Partners, Inc.- U.S. | Chairman | since June 2014 |
| ICCP-SBI Venture Partners (HongKong) Limited | Chairman & CEO | since February 2016 |
| ICCP-SBI Venture Partners Ltd. | Chairman & CEO | since November 2013 |
| ICCP Capital Markets Ltd. | Chairman | since September 2015 |
| Fiducia Asset Management Pte. Ltd. | Chairman | since April 2009 |
| Tech Venture Partners Ltd. | Chairman & CEO | since November 2004 |
| Tech Venture Partners III Ltd | Chairman & CEO | since October 2004 |
| Pacific Synergies Partners IV Ltd. | Chairman & CEO | since March 2008 |
| Pacific Synergies Venture Partners Ltd. | Chairman & CEO | since March 2011 |
| Stanford Investors Ltd. | Chairman | Since January 2010 |
| Beacon Property Ventures, Inc | Chairman & President | since November 2004 |
| Manila Exposition Complex, Inc | Chairman | since March 1995 |
| ICCP Group Foundation, Inc. | Chairman | since April 1997 |
| Ventrix Holdings Corporation | Chairman & President | since 1991 |
| Pueblo de Oro Golf & Country Club, Inc. | Director | since April 1999 |
| Ionics, Inc. | Director | since 1991 |
| Ionics, Circuits, Ltd | Director | since 2000 |
| Ionics EMS, Inc. | Director | since 1999 |
| Ionics EMS, Ltd. | Director | since 2004 |
| Ionics Properties, Inc. | Director | since 1997 |
| Iomni Precision, Inc. | Director | since 2000 |
| Maxima Trading | Director | since 1992 |
| Phinma Corporation | Director | since April 2005 |
| Phinma Energy Corporation | Director | since April 2013 |
| Synertronix, Inc. | Director | since 1995 |
| Inactive Companies: Palawan Agro-Development Corp. Palawan Integrated Development Corp. Optima Agri-Industrial Corp. San Isidro Mining Corp. | | |

As of April 1, 2017

3. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **Roxas and Company, Inc.** as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
6. I shall inform the Corporate Secretary of **Roxas and Company, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done, this 19th day of May, 2017 at Makati City, Philippines.



GUILLERMO D. LUCHANGCO
Affiant

MAY 22 2017

SUBSCRIBED AND SWORN to before me this ____ day of _____ 2017 at Makati City affiant personally appeared before me and exhibited to me his Community Tax Certificate No. 25062307 issued at Makati City on February 20, 2017 and Passport No. EC7496033 issued on April 26, 2016 and valid until April 25, 2021.

Doc. No. 185;
Page No. 37;
Book No. 60;
Series of 2017


ATTY. JOHN DOMINGO A. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-202 / MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR No. 5910004 / 01-3-2017 / MAKATI CITY
IBP No. 1054197 / 12-19-2016 / RIZAL
MCLE COMPLIANCE No V-0023350 / 08-03-2018
ROLL NO. 36452
Unit G-14 Makati Executive Tower 3
Sen. Gil Puyat Avenue, Pio del Pilar,
Makati City, Metro Manila

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **CORAZON S. DE LA PAZ-BERNARDO**, Filipino, of legal age and with office address at 17A McKinley Road, Forbes Park, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director nominee of **Roxas and Company, Inc.** (formerly CADP Group Corporation) for the fiscal year 2016-2017.
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/ | Service Period |
|---|---|-----------------------------|
| Republic Glass Holdings | Independent Director | 2012 to present |
| Trans-Asia Petroleum Corporation | Independent Director | April 10, 2017 to present |
| Phinma Energy Corporation | Independent Director | 2016 to present |
| D & L Industries, Inc. | Independent Director | April 10, 2017 to present |
| Miriam College | Trustee | 1998 to present |
| MFI Polytechnic Institute, Inc. (formerly MFI Foundation) | Trustee/Treasurer | 1989 to present |
| Medical Doctors, Inc. | Independent Director | October 16, 2013 to present |
| University of the East (UE) | Trustee | 2007 to present |
| UE Ramon Magsaysay Memorial Medical Center, Inc | -ditto- | 2007 to present |
| BDO Unibank | Adviser to the Board and to the Audit Committee | 2012 to present |
| PLDT | Adviser, Audit Committee | 2004 to present |
| Shareholders' Association of the Philippines | Vice Chairman | 2013 to present |
| Jaime V. Ongpin Foundation, Inc. | Vice Chairperson | 1991 to present |
| Children's Hour | Trustee | 2010 to present |
| NAMFREL | Council Member | 2009 to present |
| Makati Business Club | Trustee | 2011 to present |
| Laura Vicuna Foundation for Street Children | Trustee/Assistant Treasurer | 1990 to present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of **Roxas and Company, Inc.**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

- 4 I am not related to any director/officer/substantial shareholder of Roxas and Company, Inc. or any of its subsidiaries and affiliates.
- 5 To the best of my knowledge, 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 |
|---|-----------------------------|-----------------------------------|
| OMB-C-C16-0341: For violation of Section 3€, Republic Act. No. 3019, and Article 217 of the Revised Penal Code; | Office of the Ombudsman | Pending preliminary investigation |

- 6 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.
- 7 I shall inform the Corporate Secretary of Roxas and Company, Inc. of any changes in the abovementioned information within five days from its occurrence.

Signed on this 22 day of MAY 22 2017 in Makati City.

Corazon S. de la Paz-Bernardo
CORAZON S. DE LA PAZ-BERNARDO
 Affiant

MAY 22 2017

SUBSCRIBED AND SWORN to before me this _____ day of _____ in Makati City Affiant personally appeared before me and exhibited to me her Passport No. P1087569A issued on 05 December 2016 and valid until 04 December 2021.

Doc. No. 184;
 Page No. 37;
 Book No. 60;
 Series of 2017.

John Domingo A. Ponce, Jr.
ATTY. JOHN DOMINGO A. PONCE, JR.
 NOTARY PUBLIC
 APPOINTMENT No. M-202 / MAKATI CITY
 UNTIL DECEMBER 31, 2018
 PTR No. 5910004 / 01-3-2017 / MAKATI CITY
 IBP No. 1054197 / 12-19-2016 / RIZAL
 MCLE COMPLIANCE No V-0023350 / 08-03-2016
 ROLL NO. 36452
 Unit G-14 Makati Executive Tower 3
 Sen. Gil Puyat Avenue, Pio del Pilar,
 Makati City, Metro Manila