

# COVER SHEET

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SEC Registration Number

S	O	C	R	E	S	O	U	R	C	E	S
I	N	C	.								

[illegible][illegible]

(Company's Full Name)

E	N	Z	O		B	L	D	G		3	9	9		S	E	N		G	I	L		P	U	Y	A	T			
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[illegible][illegible]

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

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Ronna C. De Leon

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Contact Person

**8041978/8041977**

Company Telephone Number

## SEC FORM 17-A

1	2
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Month

Fiscal Year

3	1
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Day

FORM TYPE

(last Friday of May)

0	5
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Month

2	6
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Day

Annual Meeting

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Not Applicable

Secondary License Type, If Applicable

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Dept Requiring this Doc			
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Amended Articles Number / Section

### Total Amount of Borrowings

364

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

## STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2016
2. SEC Identification Number ASO92-06441 3. BIR Tax Identification No. 001-945-016
4. Exact name of issuer as specified in its charter SOCResources, Inc.
5. Not Applicable 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
Incorporation or organization
7. 4<sup>th</sup> Floor Enzo Building 399 Senator Gil Puyat Avenue, Makati 1209  
City  
Address of principal office Postal Code
8. (632) 804-1978 / 804-1977  
Issuer's telephone number, including area code
9. SOUTH CHINA RESOURCES, INC./ ENZO Bldg. Senator Gil Puyat Avenue  
Makati City  
Former name, former address and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class  | Number of Shares of Common Stock<br>Outstanding and Amount of Debt Outstanding |
|----------------------|--|
| <u>Common Shares</u> | <u>901,920,568</u>   |
11. Are any or all of these securities listed on a Stock Exchange?
- Yes [ ☒ ] No [ ☐ ]
- Name of Stock Exchange Class of Securities Listed

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the issuer was required to file such reports);

Yes [ ☒ ]      No [ ☐ ]

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

Yes [ ☒ ]      No [ ☐ ]

13. Aggregate market value of the voting stock held by non-affiliates is **₱185,425,884** as of **February 28, 2017**.

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## PART I - BUSINESS AND GENERAL INFORMATION

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### ITEM 1: BUSINESS

The Securities and Exchange Commission (SEC), on October 30, 2003, approved the amendment of the Company's Articles of Incorporation to change the primary purpose thereof to that of a holding company and to include its then primary purpose of oil exploration as among the secondary purposes of the Company.

On April 25, 2014, the Board of Directors approved the amendment in the Articles of Incorporation to change the name of South China Resources, Inc. to SOCResources, Inc. (SOC). The change was approved by the Philippine SEC on September 04, 2014.

SOC was incorporated and registered with the SEC on September 25, 1992 primarily to undertake oil and gas exploration, development and production and became one of the leading exploration companies upon its listing in 1994. Starting in 1995, SOC opted to strengthen its core business by diversifying into other investments. After two decades, the company has now turned out to be one of the strongest holding companies in the market having had investments in real estate, steel fabrication, banking, telecommunications and energy exploration.

The diversification process, brought on by the financial crisis of the 90's, and honed through the years, allowed SOC to invest in technology based and long-term ventures. This gave the company the means to weather the lows of the period. One of the first and significant investments was the acquisition and sale of Bell Telecommunications Philippines, Inc., the acquisition and subsequent sale of Filipinas Plaza along EDSA corner Chino Roces Avenue and minority equity in Premiere Development Bank.

The sale of equity investments in Filipinas Plaza and BellTel gave the company the influx of funds for re-investment and following the proven model of acquisition and sale of significant assets, SOC acquired equity in AGP International Inc in December 2010 which in turn gained control of AG&P Manila. AG&P Manila is one of the oldest and largest steel fabrication companies in the country with the unchallenged capability in modular fabrication. AG&P was supposedly a long-term investment however management was able to identify an opportunity which allowed for a shorter turn-around time in recouping this investment. This allowed for recoup of the investment and make a good return in what would have taken the company more than several years at the very least following the usual course of investment and dividend sharing. On January 31, 2012, the company sold its AGP shares at a good profit.

Premier Bank on the other hand expanded to almost 40 branches after the company acquired its shares. It became one of the most stable small banks that it became an attractive target for acquisition by a much larger bank. The sale of this asset was concluded with the approval of the sale by the Monetary Board.

Following the successful sale of the Filipinas Plaza and in response to the growing need for affordable housing for Filipinos, SOC followed on through the real estate business by acquiring on May 26, 2010 a 2.4 hectare plot in Buli, Muntinlupa strategically located along the South Luzon Expressway.

The government estimates the country's housing backlog at almost 4 million. There lay an opportunity for SOC to serve a basic need of Filipinos. It formed SOC Land Development Corporation (SOC Land), a wholly owned subsidiary, that put up quality homes at affordable prices. The Board of Directors, in a special meeting held November 11, 2010, directed Management to cause the registration with the Securities and Exchange Commission of SOC Land Development Corporation (SOC Land) as a wholly-owned subsidiary of the issuer with an authorized capital stock of One Hundred Sixty Million Pesos (PHP 160,000,000.00), a subscribed capital stock of Forty Million Pesos (PHP 40,000,000.00) and a paid-up capital of Ten Million Pesos (PHP 10,000,000.00). The subsidiary became the property development arm of the company, that is developing a 2.4-hectare community, called Anuva Residences (the Project), situated near Sucat Interchange. It will have four (4) tandem buildings. The total estimated cost of the Project is ₱2.0 billion

The first tandem building of ANUVA RESIDENCES, the "ANALA", projects a Fun Zone image showcasing the Wet and Dry Play Area for children. The building was completed and delivered last May 16, 2015 during the turnover ceremony held on the same day.

Amenities facing Analala including the wading pool, children's playground, al fresco area, cascading water, pond and Trellis Park have been finished as of end 2016 for the residents' use and enjoyment as well as the parking slots in the lower ground floor for the residents to use.

The second tandem building known as AZALEA is currently in a preselling stage focusing on the Green Urban Living image with amenities like the reflecting pool, adult and kiddie pool, cascades, picnic groves, clubhouse, garden party and BBQ area.

SOC Land's latest project is a horizontal residential development, ALTHEA RESIDENCES. It is situated in Brgy. Zapote, Biñan City, Laguna and featuring modern homes with tranquil vibe spread in 4.3 hectares of land. While a number of house and lot units have been completed, additional construction of other house and lot units is ongoing. The construction of amenities that started in 3rd quarter 2016 is expected to be completed sometime first half of 2017.

SOC has identified other areas for potential investment which it is investigating. To address a growing population, now estimated at 97 million Filipinos and increasing every year, it looks at food production. The Company believes that a rising population coupled with rising incomes will drive greater protein consumption. Opportunities have been identified to get in this value chain to grow a long-term business that will allow expansion laterally and vertically.

The Company entered into an agreement with the Campong It Mapangarapan It Palawano (CAMPAL) to undertake agro-industrial development for a gross area of 6000 hectares. The National Commission for Indigenous Peoples (NCIP) handed over to the Company the Certificate of Pre-condition for the agreement last June 2016. The Company is completing the requisite documents and permits from the LGUs (Local Government Units) and the Palawan Council for Sustainable Development (PCSD) prior to start of operations for agro-industrial development with coffee as the initial undertaking.

The country needs both conventional and renewable energy resources to address its power requirements. SOC is investigating conventional and renewable energy resources, that can provide for base load power that is sustainable for the long term and therefore provide for a steady income stream for the company.

Principal products or services and their distribution; competition in the industry; sourcing of raw materials and principal suppliers; dependence on one or few customers; transactions with and/or related parties; and patents, trademarks, licenses, franchises, concessions, royalty agreement, or labor contracts are not applicable with the registrant at this time.

The Company's subsidiary is SOC Land Development Corporation as of December 31, 2016.

The Company does not expect any significant changes in its number of employees. Presently, the Company has a total of six (6) officers and employees, all working full-time, one (1) Chairman, one (1) Vice-President for Operations, one (1) Vice-President for Finance, one (1) Chief Accountant, one (1) Accounting Assistant and one (1) Messenger. The Company has no Collective Bargaining Agreements (CBA).

## **ITEM 2: PROPERTIES**

On May 26, 2010, the Board of Directors in a special meeting, adopted a resolution authorizing the purchase by the Company of a 24,022.90 sq.m. parcel of land located at the East Service Road of South Superhighway, Brgy. Buli, Muntinlupa City, Metro Manila, registered in the names of, among others, the Company's majority Directors, and major stockholders, Edgardo P. Reyes, Wilfrido P. Reyes and Belen R. Castro at a purchase price of P312,298,000.00. On July 28, 2010, SOC Resources completed the purchase of the land.

On March 4, 2011, in exchange for 312,298 additional shares in SOC Land, the Parent Company transferred the said investment property with a fair value of ₱312.3 million.

In 2014, SOC Land acquired a property in Binan, Laguna and will be the first house and lot/lots only project of the Company that will be known as Althea Residences (Althea). Althea was formally launched in November 2014 and initially offer 214 choice lots, commercial and residential combined.

The Company's office is located at 4f Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

## **ITEM 3: LEGAL PROCEEDINGS**

There are no material pending legal proceedings to which the registrant or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

#### ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders, during the fourth quarter of the calendar year covered by this report through the solicitation of proxies or otherwise.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

#### ITEM 5: MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

##### (1) Market Information

The Principal Market where the Issuer's common equity is traded is in the Philippine Stock Exchange.

As of the trading date, March 31, 2017, the high and low price is ₱0.86 and ₱0.86 respectively and the price closed at ₱0.86. The Corporation has no securities to be issued in connection with an acquisition, business combination or other re-organization. Furthermore, the following are the high and low sales prices for each quarter within the last two years (2016 and 2015).

##### Stock Prices

<b>2016</b>	<b>High</b>	<b>Low</b>
First Quarter	0.80	0.76
Second Quarter	0.93	0.89
Third Quarter	1.00	0.94
Fourth Quarter	0.83	0.83
<b>2015</b>	<b>High</b>	<b>Low</b>
First Quarter	0.94	0.93
Second Quarter	0.75	0.75
Third Quarter	0.73	0.70
Fourth Quarter	0.71	0.71

##### (2) Holders

The number of shareholders of record as of December 31, 2016 was 364. Common shares issued and outstanding as of December 31, 2016 were **901,920,568**.

## Top Twenty (20) Stockholders

As of December 31, 2016

NO.	HOLDER NAME	TOTAL SHARES	% OWNED
1	CASTRO, BELEN R.	231,531,122	25.6709 %
2	REYES, EDGARDO P.	229,853,123	25.4849 %
3	REYES, WILFRIDO P.	226,853,123	25.1522 %
4	PCD NOMINEE CORP. (FILIPINO)	171,660,734	19.0328 %
5	PCD NOMINEE CORP. (NON-FILIPINO)	7,644,266	0.8476 %
6	R. COYIUTO SECURITIES, INC.	1,825,000	0.2023 %
7	DE VILLA, LUISMI GALA	808,000	0.0896 %
8	ESCALER, MICHAEL	630,000	0.0699 %
9	PEREZ, MA. GEORGINA V.	610,000	0.0676 %
10	MANGUIAT, REMEDIOS J.	580,000	0.0643 %
11	MANDARIN SECURITIES CORP.	561,000	0.0622 %
12	CRUZ, BENITO T. DELA	520,000	0.0577 %
13	CABANES, LORETO	500,000	0.0554 %
	CHUA, ROJAS	500,000	0.0554 %
	ESTRADA, JOSEPH	500,000	0.0554 %
	LAYOSA, EDNA L.	500,000	0.0554 %
	MERCADO, TERESITA P.	500,000	0.0554 %
	MITRA, RAMON	500,000	0.0554 %
	OSMENA, RAMON	500,000	0.0554 %
14	F. YAP SECURITIES, INC.	440,000	0.0488 %
15	HIGHLAND SECURITIES PHILS.	430,000	0.0477 %
	WEALTH SECURITIES, INC.	430,000	0.0477 %
16	LUYS SECURITIES CO., INC.	410,000	0.0455 %
17	BAYOT, FRANCISCO, JR.	400,000	0.0443 %
	BONDOC, MARGARITA P.	400,000	0.0443 %
	DE LA PAZ, WENCESLAO, R.	400,000	0.0443 %
	DEE, ANTHONY	400,000	0.0443 %
	ORTIGAS, FRANCISCO III	400,000	0.0443 %
	PURA TRADING CORP.	400,000	0.0443 %
	PUYAT REYES, MA. CONSUELO	400,000	0.0443 %
	PUYAT, ARISTEO G.	400,000	0.0443 %
	PUYAT, JOSE G. JR.	400,000	0.0443 %
	SANTOS, CRISANTO	400,000	0.0443 %
18	MARK SECURITIES CORP.	360,000	0.0399 %
19	MARAMBA, FELIX K. JR.	340,000	0.0377 %
20	FIDELITY SECURITIES, INC.	330,000	0.0366 %

### (3) Recent Sale of Unregistered or Exempt Securities

There had been no sale of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction by the Company in the last three years.

### (4) Public Ownership Report as March 31, 2017

In compliance with Philippine Stock Exchange Amended Rule on Minimum Public Ownership (the “Amended MPO Rule”) as announced in Memorandum CN – No. 2012-0003 dated January 3, 2012 stating that a listed company shall include in its annual report a statement on the level of its public float. The statement should be based on information that is publicly available to the listed company and within the knowledge of its directors as at the end of the fiscal year, or at the latest practicable date, prior to the issuance of the annual report. Hereunder is the computation of company’s public ownership percentage as of March 31, 2017:

PUBLIC OWNERSHIP PERCENTAGE				
<u>Total Number of Shares Owned by the Public</u> <u>Total Issued and Outstanding Shares</u>				
213,133,200 shares	=	<u>23.63</u>	%	76.37%
901,920,568 shares				
Number of Issued and Outstanding Shares	=	901,920,568		
Number of Outstanding Shares	=	901,920,568		
Number of Treasury Shares	=	4,639,000		
Number of Listed Shares	=	906,559,569		
Number of Foreign-Owned Shares	=	8,088,266		
Foreign Ownership Level (%)	=	0.90%		
Foreign Ownership Limit (%)	=	40%		

## ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### RESULTS AND PLANS OF OPERATIONS

#### Real Estate: SOC Land

With the completion of the first tandem building of ANUVA RESIDENCES project known as ANALA, amenities that highlight the Fun Zone image have been completed. The wading pool, children's playground, al fresco area, cascading water, pond and Trellis Park have been finished for the residents' use and enjoyment. Anala has sold 255 units which corresponds to 50% of the total inventory of which 217 units have been turned over to end users. Out of this, 88 units are occupied with more than 160 people currently residing in the building.

The second tandem building known as AZALEA is currently in a preselling stage focusing on the Green Urban Living image with amenities like the reflecting pool, adult and kiddie pool, cascades, picnic groves, clubhouse, garden party and BBQ area. Azalea has sold 45 units which corresponds to 9% of the total inventory.

SOC Land has also ventured into its newest horizontal residential development project, ALTHEA RESIDENCES. Althea has sold a total of 72 units, a combination of lots and house & lots which corresponds to 34% of the total inventory. Seven (7) units have already constructed, and Five (5) of this have been turned over to end users. Out of this three (3) units are occupied and already residing in the subdivision. In addition, there are two (2) more units that are being constructed and expected to be completed on January 2017. The construction of the amenities has started last September 28, 2016 and is expected to be completed on February 2017.

#### Other Energy, Mineral and Resource Based Opportunities

The Company believes in the thesis that rising incomes in the Asian region will drive greater protein and food consumption. The Company entered into an agreement with the Campong It Mapangarapan It Palawano (CAMPAL) to undertake agro-industrial development for a gross area of 4000 hectares. The National Commission for Indigenous Peoples (NCIP) handed over to the Company the Certificate of Pre-condition for the agreement last June 2016. The Company is completing the

requisite documents and permits from the LGUs (Local Government Units) and the Palawan Council for Sustainable Development (PCSD) prior to start of operations for agro-industrial development with coffee as the initial undertaking.

The global situation in recent years presents opportunities for the Company to seek entry into mineral exploration and exploitation sector.

The Company is in a favorable situation wherein its current cash position allows it to review other businesses wherein it may invest.

**The following are the estimated cash requirements for South China operations in the next twelve months which are dependent on opportunity acquisition.**

Agri-Business	\$3MM
Other Energy, Mineral & Resources Based Opportunities	\$ 200K for Assessment Studies

The Company's consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

**CONSOLIDATED RESULTS OF OPERATIONS**  
**2016 VS 2015 (AUDITED)**  
*(in Philippine pesos)*

ACCOUNTS	December 31, 2016	December 31, 2015	% CHANGE
REVENUES	211,507,476	271,787,416	-22.18%
COST AND EXPENSES	184,369,488	291,884,108	-36.83%
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>27,137,988</b>	<b>(20,096,692)</b>	<b>235.04%</b>
PROVISION FOR INCOME TAX	1,373,128	1,213,840	13.12%
<b>NET INCOME/(LOSS)</b>	<b>25,764,860</b>	<b>(21,310,532)</b>	<b>220.90%</b>
NET GAINS(LOSSES) ON AFS FINANCIAL ASSETS	8,114,806	4,268,083	90.13%
ACTUARIAL GAINS ON DEFINED BENEFIT PLANS	195,764	78,566	12939
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>34,075,430</b>	<b>(16,963,883)</b>	<b>300.87%</b>

**2016 VS 2015: RESULTS OF OPERATIONS**

Revenue for the year ended 2016 consists of: (1) recognized sale on real estate for SOC Land amounting to ₱157M;(2) Interest Income on time deposits, savings account and installment sales of real estate amounting to ₱13.21M;(3) Dividend Income from domestic shares of stocks amounting to ₱0.3M;(4) net foreign exchange gain amounting to ₱0.3M and (5) other income amounting to ₱40M.

The 36% decrease in the total cost and expenses is attributable to the 51% decrease in the sales and marketing cost of the subsidiary and 16% decrease in the general and administrative expenses of the group. The significant decrease in the cost and expenses has brought a positive after tax net income despite of the 22% decrease in the total revenue of the group. There has also been an outstanding gain on the market value of the AFS financial assets currently held by the company.

**CONSOLIDATED RESULTS OF OPERATIONS**  
**2015 VS 2014**  
*(in Philippine pesos)*

ACCOUNTS	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>% CHANGE</u>
REVENUES	271,787,416	163,823,447	65.90%
COSTS AND EXPENSES	291,884,108	199,154,261	46.56%
<b>NET LOSS BEFORE INCOME TAX</b>	<b>(20,096,692)</b>	<b>(35,330,814)</b>	<b>19.34%</b>
PROVISION FOR INCOME TAX	1,213,840	2,856,043	-57.50%
<b>NET LOSS</b>	<b>(21,310,532)</b>	<b>(38,186,857)</b>	<b>44.19%</b>
NET GAINS(LOSSES) ON AFS FINANCIAL ASSETS	4,268,083	(22,915,268)	118.63%
ACTUARIAL GAIN	78,566	12,939	507.20%
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(16,963,883)</b>	<b>(61,089,186)</b>	<b>72.23%</b>

**2015 VS 2014: RESULTS OF OPERATIONS**

Revenue for the year ended 2014 consists of: (1) recognized sale on real estate for SOC Land amounting to ₱250M;(2) Interest Income on time deposits and savings account amounting to ₱2.1M;(3) Dividend Income from domestic shares of stocks amounting to ₱0.3M;(4) net foreign exchange gain amounting to ₱0.3M and (5) other income amounting to ₱18.9M.

Total sales for 2015 by SOCLand, the subsidiary, amounted to ₱250.3M which is 99.72% of the total sales last year 2014. Other income consisting of late payment penalties, forfeited payments and interest earned on in house financing also increased by 195% as compared last year 2014.

The increase of 46.56% in the cost and expenses were attributed to the 94.6% increase in cost of real estate sold coupled with 27.8% increase in general and administrative expense. There has been a dropped of 37.1% in the sales and marketing expenses.

The 65.90% increase in the revenue for the two years under report has caused the decrease in the net loss before income tax of the group for the year 2015 as compared last year 2014. Increase in the market value of domestic stock holdings of the company and an actuarial gain lowered the total comprehensive loss on 2015 vis-à-vis 2014.

**CONSOLIDATED FINANCIAL POSITION**  
**2016 VS 2015 (AUDITED)**  
*(in Philippine pesos)*

ACCOUNTS	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>% CHANGE</u>
CURRENT ASSETS	1,583,484,810	1,642,002,434	-3.56%
NONCURRENT ASSETS	181,480,430	126,731,990	43.20%
<b>TOTAL ASSETS</b>	<b>1,764,965,240</b>	<b>1,768,734,424</b>	<b>-0.21%</b>
CURRENT LIABILITIES	114,205,459	152,415,502	-25.07%
NONCURRENT LIABILITIES	4,222,219	3,856,790	9.47%
<b>TOTAL LIABILITIES</b>	<b>118,427,678</b>	<b>156,272,292</b>	<b>-24.22%</b>
EQUITY	1,646,537,562	1,612,462,132	2.11%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,764,965,240</b>	<b>1,768,734,424</b>	<b>-0.21%</b>

## 2016 VS 2015: FINANCIAL CONDITION

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The net effect of the following has caused the slight dropped of 3.56% in the current assets of the group: (1) 20% increase in cash and cash equivalents;(2) Receivables decreased by 57% due to the net effect of the collection of accounts pertaining to Anala, the first tandem building of SOCLand, which were turned over last May 2015 and the recognition of sales for those units of which 20% of the total contract price was collected;(3) Real Estate for sale dropped by 3% due to the recognition of the cost of units sold; and (4) other current assets increased by 26% due to the creditable taxes remitted on fully paid units and refundable deposits for office rentals.

The decrease in the current liabilities was due to the payment made to contractors for Anala Building and Althea as well as offset of unit owners' deposit against receivable upon recognition of real estate sales.

Increase in noncurrent liabilities refers to the recognized retirement liability for the year 2016. The positive bottomline figure of the group has caused the increase in the total equity of the group.

## CONSOLIDATED FINANCIAL POSITION 2015 VS 2014

(in Philippine pesos)

ACCOUNTS	12/31/2015	12/31/2014	% CHANGE
CURRENT ASSETS	1,642,002,434	1,856,927,512	-11.57%
NONCURRENT ASSETS	126,731,990	102,554,105	23.58%
<b>TOTAL ASSETS</b>	<b>1,768,734,424</b>	<b>1,959,481,617</b>	<b>-9.73%</b>
CURRENT LIABILITIES	152,415,502	326,679,810	-53.34%
NONCURRENT LIABILITIES	3,856,790	3,428,292	12.50%
TOTAL LIABILITIES	156,272,292	330,108,102	-52.66%
EQUITY	1,612,462,132	1,629,373,515	-1.04%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,768,734,424</b>	<b>1,959,481,617</b>	<b>-9.73%</b>

## 2015 VS 2014: FINANCIAL CONDITION

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The net effect of the following has caused the slight dropped of 11.57% in the current assets of the group: (1) 5.38% increase in cash and cash equivalents;(2) Receivables increased by 61.38% due to the net effect of the collection of accounts pertaining to Anala, the first tandem building of SOCLand, which were turned over last May 2015 and the recognition of sales for those units of which 20% of the total contract price was collected;(3) Real Estate for sale dropped by 18.61% due to the recognition of the cost of units sold; and (4) other current assets increased by 15.41% due to the creditable taxes remitted on fully paid units and refundable deposits for office rentals.

The decrease in the noncurrent assets was due to the reclassification of the 68% of the receivables to current assets.

The decrease in the current liabilities was due to the payment made to contractors for Anala Building and offset of unit owners' deposit against receivable upon recognition of real estate sales.

Increase in noncurrent liabilities refers to the recognized retirement liability for the year 2015. The negative bottomline figure of the group has caused the slight decrease in the total equity of the group.



## KEY PERFORMANCE INDICATORS

The following are the major financial ratios of the Company for the years ended December 31, 2016, 2015 and 2014:

	KEY FINANCIAL RATIOS	December 31, 2016	December 31, 2015	December 31, 2014
I.	Current/Liquidity Ratios	13.87 x	10.77 x	5.53 x
II.	Solvency Ratio	24.91%	-12.14%	-10.76%
III.	Debt-to-equity ratio (in x)	0.0694 x	0.0969 x	0.2026 x
IV.	Asset to Equity Ratio	1.0719 x	1.0969 x	1.2026 x
V.	Interest Rate Coverage Ratio	N/A	N/A	N/A
VI.	Profitability Ratio			
	Return on Equity (ROE)	1.56%	-1.32%	-2.34%
	Return on Assets (ROA)	1.46%	-1.20%	-1.95%
VII.	Other Relevant Ratios			
	Revenue Growth/ (Decline)	-22.18%	65.90%	11.82%
	Net Income Growth/ (Decline)	220.90%	44.19%	-216.66%
	EBITDA	Php 28,450,135	(18,965,657)	(35,505,165)

### 2016 VS 2015

The 25% decrease in the current liabilities of the group has caused the increase in current ratio and the decline in the debt to equity ratio of the group Y/Y 2016.

A slight decrease on the asset to equity ratio was due to the decrease in the real estate for sale brought about by the turnover of the units in Anala building.

An outstanding net income growth of 220% has caused the solvency ratio to inched up to 24.91%.

The increase in the EBITDA of the group was translated to the increase in the cash and cash equivalents.

### 2015 VS 2014

The 53.3% decrease in the current liabilities of the group has caused the increase in current ratio and the decline in the debt to equity ratio of the group for the period 2015 vis-à-vis 2014.

A slight decrease on the asset to equity ratio was due to the decrease in the real estate for sale brought about by the turnover of the units in Anala building.

An outstanding revenue growth of 65.9% was caused by higher revenue recognized for sale of real estate and other income of the subsidiary.

The increase in the EBITDA of the group was translated to the increase in the cash and cash equivalents.

The manner by which the Company calculates the foregoing indicators is as follows:

Key Financial Ratios	Formula
Revenue growth	$\frac{(\text{Total Revenues (current period)} - \text{Total Revenues (prior period)})}{\text{Total Revenues (prior period)}}$
Net income growth	$\frac{\text{Net Income (after tax) (current period)}}{\text{Net income (prior period, after tax)}}$

Solvency Ratio	(After Tax Net Income+Depreciation)/Total Liabilities
EBITDA	Income from operations plus depreciation and amortization
Asset to Equity Ratio	Total Assets/Total Equity
Return on equity (ROE)	Net income/ Equity
Return on assets (ROA)	Net income/ Total Assets
Current/Liquidity ratio	Current Assets/ Current Liabilities
Debt-to-equity ratio	Total Liabilities/ Equity

## PROSPECTS FOR THE FUTURE

The outlook for SOC in the coming years is quite optimistic. Even with the refocus in business interests, new opportunities seem to look very promising and are discussed below.

### (1) Prospects for SOC Land Development Corporation

SOC's investment into property development is seen as an important aspect in enhancing its shareholder value. The government estimates the country's housing backlog at almost 4 million. There lies the opportunity to serve a basic need of Filipinos. In November 2010, SOC diversified its business and invested into real property development through SOC Land Development Corporation (SOC Land), a wholly-owned subsidiary with the primary purpose to deal and engage in real estate business.

SOC Land is developing a 2.4-hectare community, called Anuva Residences (the Project), situated near Sucat Interchange and will have four (4) tandem buildings. The first tandem building, Anala, was -completed and delivered last May 16, 2015 during the turnover ceremony held on the same day

The second tandem building known as AZALEA is currently in a preselling stage focusing on the Green Urban Living image with amenities like the reflecting pool, adult and kiddie pool, cascades, picnic groves, clubhouse, garden party and BBQ area. SOC land officially launched in Nov. 15, 2015, its latest horizontal residential development project, Althea Residences. It is situated in Brgy. Zapote, Biñan City, Laguna and will feature modern homes with a tranquil vibe spread in 4.3 hectares of land. Homeowners can choose from three housing options and the subdivision offers a variety of first class amenities. For this project, road networks have been completed including the Entrance Gate/Guardhouse and the Model Houses. Additionally, a number of house and lot units have been completed, additional construction of other house and lot units is ongoing. The construction of amenities that started in 3<sup>rd</sup> quarter 2016 is expected to be completed sometime first half of 2017. It is strategically located near schools, churches, commercial establishments and malls, hospitals and government offices.

### (2) Prospects for Agri-based businesses

The Company believes in the thesis that rising incomes in the Asian region will drive greater protein and food consumption. The Company entered into an agreement with the Campong It Mapangarapan It Palawano (CAMPAL) to undertake agro-industrial development for a gross area of 4000 hectares. The National Commission for Indigenous Peoples (NCIP) handed over to the Company the Certificate of Pre-condition for the agreement last June 2016. The Company is completing the requisite documents and permits from the LGUs (Local Government Units) and the Palawan Council for Sustainable Development (PCSD) prior to start of operations for agro-industrial development with coffee as the initial undertaking.

### (3) Prospects for Other Energy, Mineral and Other Resource Based Opportunities

The Company continues to review potential energy resources as it explores entry into opportunities in other conventional and renewable energy resources. The global situation in recent years presents opportunities for the Company to seek entry into the mineral resource based sector.

## DIVIDEND DECLARATION

The Company has no earnings yet from commercial production pertaining to the oil exploration segment of the business hence there were no dividends declared for the period ended December 31, 2016 and two years ended December 31, 2016 and December 31, 2015.

## KEY VARIABLE AND OTHER QUALITATIVE AND QUANTITATIVE FACTORS

There are no material trends, events or uncertainties that are reasonably expected to occur in the next twelve months that will have a material favorable or unfavorable impact on the results of the Company's liquidity. Should there be material changes in working capital it would be advances from the management to support the Company's operation or a sale of non-current assets.

There are no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or accumulation of an obligation.

There were no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

The Company has no plans of changing the number of employees for the next twelve months.

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

The material changes for this year in comparison with the prior year-end based on line items in the comparative financial statements as of December 31, 2016, 2015 and 2014 are summarized as follows:

ACCOUNTS	For the Period Dec 31			% CHANGE	
<i>In Millions</i>	2016	2015	2014	2016 vs 2015	2015 vs 2014
<b>Statement of Financial Position</b>					
Cash & Cash Equivalents	357.16	298.81	283.56	19.53%	5.38%
Receivables	75.64	177.27	109.84	-57.33%	61.38%
Real estate inventories	1,082.12	1,111.28	1,365.44	-2.62%	-18.61%
Due from Related Parties	0.18	0.17	0.15	7.56%	10.67%
Prepayments & Other Current Assets	68.39	5.48	47.20	1148.67%	-88.40%
Receivables - net of current portion	78.85	25.20	50.73	212.84%	-50.31%
Available for Sale (AFS) financial assets	40.86	32.75	36.31	24.78%	-9.82%
Property & Equipment	34.68	37.09	34.55	-6.48%	7.36%
Other noncurrent assets	27.09	31.70	31.70	-14.54%	0.00%
Accounts Payable & other Liabilities	114.21	152.42	326.68	-25.07%	-53.34%
Retirement benefit obligation	4.22	3.76	3.43	12.37%	9.60%
Deferred Tax Liabilities	-	0.10	-	-100.00%	100.00%
Retained Earnings - Appropriated	745.00	500.00	500.00	49.00%	0.00%
Retained Earnings - Unappropriated	143.07	362.31	386.62	-60.51%	-6.29%
<b>Statement of Comprehensive Income</b>					
<b>REVENUES</b>					
Gain on Sale of Financial Assets	-	-	24.53	-100.00%	-100.00%
Interest Income	13.20	4.87	2.89	171.08%	68.30%
Real estate sales	156.77	250.26	125.31	-37.36%	99.72%
Dividend Income	0.34	0.27	1.30	25.80%	-78.97%
Other income	40.87	16.10	6.3994	153.88%	151.56%
Foreign Exchange Gain - net	0.33	0.29	3.40	14.18%	-91.54%
<b>COST AND EXPENSES</b>					
Cost of Real Estate sales	113.66	195.97	100.71	-42.00%	94.58%
Sales and marketing expenses	14.34	28.97	46.07	-50.50%	-37.11%
General and Administrative Expenses	56.37	66.94	52.37	-15.79%	27.83%
Provision for Income Tax	1.37	1.21	2.86	13.12%	-57.50%
Net Gains/(Losses) on AFS Financial Assets	8.11	4.27	(22.92)	-90.13%	-118.63%

### Discussion for 2016 VS 2015

#### *Cash & Cash Equivalents*

Collection of payments from the unit owners of Anala Building as well as reservation fees for the Althea, overdue payment penalties, forfeited payments, interest earned on in house financing, interest income from short term investments and dividend income has caused the 19.53% increase in the cash and cash equivalents for the year 2016 as against 2015.

#### *Receivables*

The decrease on the receivable is due to the collection of sales on account.

#### *Real Estate inventories*

Dropped by 2.62% due to the recognition of the cost of units sold on the Anala Building and Althea.

#### *Prepayments & other Assets*

Mainly due to decrease in Input VAT arising from the acquisition of its wholly owned subsidiaries of vatable goods and services for the Anuva Project.

#### *Available for Sale Financial Assets*

The increase in the market value of domestic stock holdings of the company.

#### *Property and Equipment*

The decrease is due to depreciation.

#### *Accounts Payable & Other Liabilities*

Decrease was due to payments to contractors (Anala Building and Althea) and offset of unit owner's deposit against receivable upon recognition of sales.

#### *Retirement Benefit Obligation*

The group recognized ₱0.38M benefit obligation for the retirement plan of the group under defined benefit plans for the year 2016. The group has unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last years of employment. Normal retirement is the attainment of age 60 and completion of at least 5 years of service.

#### *Unrealized Valuation on AFS*

Pertains to the increase in market value of other domestic stock holdings of the company.

#### *Interest Income*

The amount of ₱8.8M representing 67% of the total interest income pertains to the interest earned from installment contract receivable.

#### *Dividend Income*

Dividend Income earned from equity securities amounted to ₱0. 3M in 2016.

#### *Other Income*

This consists of forfeited buyer deposits, gain on repossession, penalty income and late charges.

#### *Sales and Marketing Expense*

34% of the total sales and marketing expense pertains to the commissions and incentives amounting to ₱4.8M, 30% pertains to product presentation amounting to ₱4.4M and 21% makes up for the consultancy fees amounting to ₱2.9M.

#### *General and Administrative Expenses*

The following expenses take the biggest share in the general and administrative expenses: Personnel Cost amounting to ₱12.9M (23%), Taxes and Licenses amounting to ₱8.7M (15%) and Travel and transportation amounting to ₱8.3M (15%).

## Discussion for 2015 VS 2014

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### *Cash & Cash Equivalents*

Collection of payments from the unit owners of Anala Building as well as reservation fees for the Althea, late payment penalties, forfeited payments, interest earned on in house financing, interest income from short term investments and dividend income has caused the 54.88% increase in the cash and cash equivalents for the year 2015 as against 2014.

### *Receivables*

The increase on the receivable is due to the 100% completion of the Anala Condo Units – the first building on Anuva Projects for the year 2014. To that effect, the full balance of Installment Contract Receivable becomes due and demandable.

### *Real Estate for Sale*

Dropped by 18.61% due to the recognition of the cost of units sold on the Anala Building.

### *Prepayments & other Assets*

Mainly due to decrease in Input VAT arising from the acquisition of its wholly owned subsidiaries of vatable goods and services for the Anuva Project.

### *Available for Sale Financial Assets*

Recognition of provision on impairment in value of domestic holdings in Petron, Lepanto, Manila mining and Manila Water.

### *Property and Equipment*

In 2015, SOC Land recognized ₱4.6M leasehold improvement for their office.

### *Accounts Payable & Other Liabilities*

Decrease was due to payments to contractors for Anala Building and offset of unit owner's deposit against receivable upon recognition of sales..

### *Deferred tax Liabilities*

Pertains to possible tax liabilities for retirement cost.

### *Common Stock*

In 2015, 70,000 shares subscribed shares were fully paid and issued. Collection from such shares this year amounted to P52,500.

### *Retirement Benefit Obligation*

The group recognized ₱0.37M benefit obligation for the retirement plan of the group under defined benefit plans for the year 2015. The group has unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last years of employment. Normal retirement is the attainment of age 60 and completion of at least 5 years of service.

### *Unrealized Valuation on AFS*

Pertains to the increase in market value of other domestic stock holdings of the company.

### *Sale of Real Estate*

Additional Sale of Real estate was recognized on revenue due to the completion of Anuva's first tandem building "Anala".

### *Interest Income*

Due to the decreasing interest rates on short term investments.

### *Dividend Income*

Dividend Income earned from equity securities amounted to ₱0.27M in 2015.

### *Other Income*

This consists of late payment penalties, forfeited payments and interest earned on in house financing.

#### *Cost of Real Estate Sold*

Increase in these accounts is basically due to the recognition of the corresponding costs of real estate sold from buyers who have paid in full the TCP for their acquisition of condo units and/or the 20% down payment as of December 31, 2015.

#### *Sales and Marketing Expense*

62% of the total sales and marketing expense pertains to the commissions and incentives amounting to ₱18M.

#### *General and Administrative Expenses*

The following are the major composition of general and administrative expense: (1) 19.74% Personnel Cost; (2) 11.71% Provision on impairment of AFS financial assets; (3) 9.23% travel and transportation; (4) 9.05% outside services and (5) 8.24% Rent and utilities.

### **ITEM 7: FINANCIAL STATEMENTS**

The Financial Statements and Schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17 – A.

### **ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There are no changes in and disagreements with independent accountants on accounting and financial disclosure and no change in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period.

### **INFORMATION ON INDEPENDENT PUBLIC ACCOUNTANT AND OTHER RELATED MATTERS**

#### **Information on Independent Public Accountant**

In compliance with SRC Rule 68 Paragraph 3(b) (iv), the engagement partner from Sycip Gorres Velayo & Co. is Mr. Kristoper S. Catalan. Sycip Gorres Velayo & Co. is the incumbent Public Accountant of the Company.

The Company, through its Audit Committee, recommends the re-appointment of Sycip Gorres Velayo & Co. as the Principal Accountant of the Corporation. The Company's Audit Committee is composed of Mr. Manuel G. Arteficio as Chairman, Mrs. Belen R. Castro, Member, and Mr. Wilfrido P. Reyes, Member.

#### **External Audit Fees and Services**

In compliance with SEC Memo Circular No. 14 Series of 2004, External Audit Fees, year ended 2016 audit progress billing for SOCResources, Inc. and subsidiary, SOC Land Development amounted to P347,200 and ₱504,000 respectively. External Audit Fees, year ended 2015 audit for SOCResources, Inc. and subsidiary, SOC Land Development amounted to P369,760 and ₱489,798 respectively. No other services were provided and billed for by the external auditors for the last two (2) fiscal years.

### **PART III - CONTROL AND COMPENSATION INFORMATION**

### **ITEM 9: DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUE**

#### **(1) Directors and Executive Officers (Information for the last five years)**

NAME	POSITION	BIRTHDATE
Edgardo P. Reyes	Chairman/CEO	December 2, 1945
Wilfrido P. Reyes	President	January 21, 1947
Belen R. Castro	VP & Treasurer	April 9, 1948
Manuel G. Arteficio	Director	January 13, 1945
Francisco M. Bayot, Jr.	Director	January 29, 1954
Magilyn T. Loja	Corporate Secretary	May 6, 1968
David R. Baladad	VP - Operations	September 13, 1956
Zosimo L. Padro, Jr.	VP - Finance	August 3, 1959

**EDGARDO P. REYES**, 71 years of age, Filipino, has been the CHAIRMAN of the Board of Directors of the Company since 1992.; PRESIDENT of International Pipe Industries Corp., Pipe Machinery Corp., Apo Pipe Industries Corp., Reyson Realty & Development Corp., Puyat Flooring Products Inc., Proleo Realty Inc., and BenePara Realty Inc.; SENIOR VICE PRESIDENT of PFM Agro-Industrial Development Corp. and Armormply Concrete Forming Systems Inc.; and, DIRECTOR of Surigao Development Corp., and Puyat Investment & Realty for the past five (5) years. He was a DIRECTOR of Premiere Development Bank until 2011. Mr. Reyes is the brother of Mr. Wilfrido P. Reyes and Ms. Belen R. Castro.

**WILFRIDO P. REYES**, 70 years of age, Filipino, has been the PRESIDENT of the Company since 1992. CHAIRMAN/PRESIDENT of WPR Realty & Management Corp.; EXECUTIVE VICE PRESIDENT/DIRECTOR of Gonzalo Puyat & Sons Inc. and Purex Mineral Corp.; EVP/GENERAL MANAGER of Philippine Flour Mills and PFM-Agro Development Corp.; SVP/DIRECTOR of Puyat Steel Corporation; DIRECTOR of Premiere Development Bank; TREASURER/DIRECTOR of Surigao Development Corp.; SECRETARY/DIRECTOR of Surigao Marine Products, Inc.; VP/GENERAL MANAGER of Reyson Realty & Development Corp.; PRESIDENT of Proleo Realty Inc., VP/TREASURER of Bell Telecommunication Philippines Inc.; TREASURER/DIRECTOR of International Pipe Industries Corp. and Apo Pipe Industries Corp; and, DIRECTOR of Pipe Machinery Corp. for the past five (5) years. Mr. Reyes is the brother of Mr. Edgardo P. Reyes and Ms. Belen R. Castro.

**BELEN R. CASTRO**, 69 years of age, Filipino, has been the VICE PRESIDENT, TREASURER & DIRECTOR of the Company since 1992 up to the present; DIRECTOR & ASST. TREASURER of Gonzalo Puyat & Sons, Inc.; DIRECTOR of Chamber of Thrift Banks (1990 – 2012) She was the Chairman of Premiere Development Bank (January 2007-2012). She is the sister of Mr. Edgardo P. Reyes and Mr. Wilfrido P. Reyes.

**MANUEL G. ARTEFICIO**, 72 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2007. He has been PRESIDENT of San Manuel Mining Corp. from 1990 to 2016; Assissi Mining Corp., Bonaventures Mining Corp., Ignatius Mining Corp., all three from 1994 to present; he is also the PRESIDENT of Egerton Gold Phils., Inc. from 2006 to present.

**FRANCISCO M. BAYOT, JR.**, 63 years of age, Filipino, has been an INDEPENDENT DIRECTOR of the Company since 2008.; He is the DIRECTOR of Alabang Commercial Corp. since 1990; PRESIDENT/DIRECTOR of Josue Corp since 1990; PRESIDENT/DIRECTOR of JM Investment Corp. since 1990; DIRECTOR of Madrigal Condominium Corp. I & Madrigal Condominium Corp. II since 1992; PRESIDENT/DIRECTOR of Susana Realty, Inc., Septimo Realty, Inc., Porep Realty Inc., and Perop Realty, Inc. since 1993; PRESIDENT/DIRECTOR of Madrigal Business Park Association, Inc. since 1994; PRESIDENT/DIRECTOR of Madrigal-Bayot Dev. Corp. since 2008; and PRESIDENT/DIRECTOR of Cebu Beacon Storage Corporation since 2015.

**MAGILYN T. LOJA**, 48 years of age, Filipino, has been the CORPORATE SECRETARY of the Company since 2010. She is a Senior Partner of the Esguerra & Blanco Law Offices. Atty. Loja obtained her Bachelor of Science in Business Administration and Accountancy and Bachelor of Laws from the University of the Philippines. Atty. Loja, since 1996, and during the last five (5) years, has been engaged in the practice of law.

**DAVID R. BALADAD**, 60 years of age, Filipino, has been the VICE PRESIDENT FOR OPERATIONS of the Company since 1994. He obtained his Bachelor of Science in Geology from the University of the Philippines and he is also a licensed Geologist. Prior to joining the Company, Mr. Baladad was the Chief of the Oil and Gas Division of the former Office of Energy Affairs (now DOE) and a consultant to other local exploration companies. He has been directing the operating activities of the Company since 1994 and for the last five (5) years.

**ZOSIMO L. PADRO, JR.**, 57 years of age, Filipino, has been the VICE PRESIDENT FOR FINANCE of the Company since January

2010. He obtained his Bachelor of Science in Business Administration Major in Accounting from the University of Eastern Philippines and Bachelor of Laws from Jose Rizal College. Atty. Padro is also the Vice President for Finance of International Pipe Industries Corp. Atty. Padro since 1990, and during the last five (5) years, has been engaged in the practice of law. He is also a Certified Public Accountant.

Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. were elected Independent Directors during the 2016 Annual Stockholders' Meeting. The Nomination Committee nominated Mr. Arteficio and Mr. Bayot as independent directors to be elected during the 2017 Annual Stockholders' Meeting. Both Mr. Arteficio and Mr. Bayot are qualified to be nominated and elected as Independent Directors of the Company in accordance with the qualifications specified with SEC Circular No. 16 Series of 2002 and SEC Circular No. 16 Series of 2006.

Directors elected in the annual stockholders' meeting have a term of office of one (1) year and serve as such until their successors are elected and qualified in the succeeding annual meeting of stockholders.

## **(2) Significant Employees**

While all employees are expected to make a significant contribution to the Company, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of the Company on his own.

## **(3) Family Relationships**

Mr. Edgardo P. Reyes, Chairman and CEO; Mr. Wilfrido P. Reyes, President; and Ms. Belen R. Castro, Vice President, Treasurer and Director of the Company are brothers and sister. All other Directors and Executive Officers are not related to each other. Other than the ones disclosed, there are no other family relationships known to the registrant.

## **(4) Involvement in Certain Legal Proceedings**

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding required to be disclosed under Part IV paragraph (A)(4) of SRC Rule 12 (Annex C, Amended), including without limitation being the subject of any:

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

(b) conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(c) 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 his involvement in any type of business, securities commodities or banking activities; and

(d) order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation, for the past five (5) years up to the latest date, that is material to the evaluation of the ability or integrity to hold the relevant position in the Company.

## **ITEM 10: EXECUTIVE COMPENSATION**

There are no bonuses, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the issuer will participate.

The Group has no pension in which any such person will participate.

There are no employment contracts arrangements for this year.

The aggregate compensation paid or accrued during the last two calendar years and to be paid in the ensuing calendar year



to the Chief Executive Officer and three most highly compensated executive officers are as follows:

Name and Principal Position	Year	Salary (P)	Bonus (P)	Other Annual Compensation
Edgardo P. Reyes Chairman / CEO				
David R. Baladad VP-Operations				
Zosimo L. Padro, Jr. VP – Finance				
Ronna C. De Leon Accounting Officer				
Aggregate compensation –	2017	2,000,000(est.)	500,000(est.)	N/A
CEO & all other officers and	2016	1,912,418	458,760	N/A
Directors as a group unnamed	2015	1,827,540	463,335	N/A

Among the directors and officers of the company, only the four (4) stated above are being compensated.

#### ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

##### (a) Security Ownership of Certain Record and Beneficial Owners and Management as of December 31, 2016 (owning more than 5% of any class of voting securities)

Title of Class	Name and address of record owner and	Relationship with Issuer	Name of Beneficial ownership and relationship with record owner	Citizenship	No. of Shares Held	Percent
Common	EDGARDO P. REYES 1371 Caballero St., Dasmariñas Vill., Makati	Director	EDGARDO P. REYES, same person	Filipino	229,853,123	25.4849%
Common	BELEN R. CASTRO 4889 Pasay Road, Dasmariñas Vill., Makati	Director	BELEN R. CASTRO, same person	Filipino	231,531,122	25.6709%
Common	WILFRIDO P. REYES 1545 Mahogany St., Dasmariñas Vill., Makati	Director	WILFRIDO P. REYES, same person	Filipino	226,853,123	25.1522%
Common	PCD Nominee Corp. (Filipino) G/F MKSE Bldg., 6767 Ayala Ave., Makati	Stockholder	PCD Nominee Corp. (Filipino), depository agent	Filipino	171,660,734	19.0328%

There are no beneficial owners of more than 5% under the PCD Nominee Corporation (Filipino), which owns 19.0328% of the total shares of the Company.

**(b) Security Ownership of Management Directors**

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>		<b>Citizenship</b>	<b>Percent of Class</b>
Common Shares	Edgardo P. Reyes	229,853,123	Direct, Record and Beneficial	Filipino	25.4849%
Common Shares	Belen R. Castro	231,531,122	Direct, Record and Beneficial	Filipino	25.6709%
Common Shares	Wilfrido P. Reyes	226,853,123	Direct, Record and Beneficial	Filipino	25.1522%
Common Shares	Francisco M. Bayot, Jr.	400,000	Direct, Record and Beneficial	Filipino	00.0443%
Common Shares	Manuel G. Arteficio	100,000	Direct, Record and Beneficial	Filipino	00.0111 %
Total		688,737,368			76.3634%

**Executive Officers**

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>		<b>Citizenship</b>	<b>Percent of Class</b>
Common Shares	Edgardo P. Reyes	-----			-----
Common Shares	Wilfrido P. Reyes	-----			-----
Common Shares	Belen R. Castro	-----			-----
Common Shares	David R. Baladad	50,000	Direct, Record and Beneficial	Filipino	00.0055%
Total		50,000			00.0055%

**Directors and Officers as a Group**

<b>Title of Class</b>	<b>Name of Beneficial owner</b>	<b>Amount of Beneficial ownership</b>	<b>Percent of Class</b>
Common Shares	Directors as a Group	688,737,368	76.3634%
Common Shares	Executive Officers as a Group	50,000	00.0055%
Total		690,609,368	76.3689%

No person holding more than 5% of a class is under a voting trust or similar agreement.

The Company has no arrangements which may result in a change in control of the registrant.

<b>ITEM 12: CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS</b>
---

**INTERNATIONAL PIPE INDUSTRIES, INC. (IPIC)**

IPIC is the pioneer manufacturer of large-diameter spiral welded pipes and machinery fabrication in the Philippines and Southeast Asia and has been producing quality pipes for the last 48 years. IPIC is the only company to date that has secured the American Petroleum Institute monogram in the Philippines. IPIC was also the first company in the Southeast Asia to pioneer in the design and exportation of high-tension transmission poles, weight coating of submarine line pipe and non-tension and pre-tension concrete pressure pipes.

In May 2011, the BOD has authorized the Group to enter into a related party agreement with IPIC to provide a standby fund facility in the amount of up to ₱50.0 million for the acquisition of raw materials to be processed into finished steel pipe products. The Group will receive a guaranteed return on investment of at least 8% per annum.

As of December 31, 2014, IPIC has settled all of its advances from SOC amounting to ₱21.5 Million.

IPIC's accounts receivable and finished goods with fair value equivalent to the outstanding balance are used as collateral for the amount owed to the Group.

**SOUTH CHINA PETROLEUM INTERNATIONAL, INC. (SCPI)**

SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration.

The total amount of receivable from SCPI as of December 31, 2016 and 2015 amounted to ₱179,036 and ₱166,452 which pertains to the amount paid for the business permit and registration. The amount is due and demandable.

<b>ITEM 13: CORPORATE GOVERNANCE</b>
--------------------------------------

An evaluation system is being set in place in relation to the provisions of the Revised Manual on Corporate Governance to measure the level of compliance by directors and top management. Also, the Company and its directors, officers and employees complied with all the leading practices and principles on good governance as embodied in the company's Revised Corporate Governance Manual.

The Company believes that the current corporate governance of the Company is sufficient to address its needs.

**PART V - EXHIBITS AND SCHEDULES**

<b>ITEM 14: EXHIBITS AND REPORTS ON SEC FORM 17-C</b>
---

**(a) Exhibits – None**

**(b) Reports on SEC Form 17-C**

The reports indicated below were filed on SEC Form 17-C during the last six-month period covered by this report.

<p><u>April 13, 2016</u></p>	<p>Item 9. Other Events</p> <p>Notice is hereby given that the 2016 Annual Meeting of the stockholders of SOCRESOURCE, INC. shall be held on 27 May 2016 at 2:00 P.M. at the West Room of Manila Golf &amp; Country Club, Harvard Road, Forbes Park, Makati City. The Agenda for said meeting is as follows:</p> <ol style="list-style-type: none"> <li>1. Proof of notice and quorum;</li> <li>2. Reading and approval of previous Minutes;</li> <li>3. Report of Management;</li> <li>4. Ratification of the acts of the Board of Directors and Officers;</li> <li>5. Election of Directors;</li> <li>6. Appointment of Auditors;</li> <li>7. Other Matters:</li> </ol> <p>Authority of SOCResources, Inc. to act as surety for its subsidiary, SOC Land Development Corporation, on the credit facility granted by China Banking Corporation amounting to ₱105,000,000.00.</p> <ol style="list-style-type: none"> <li>8. Adjournment.</li> </ol> <p>For the purpose of the meeting, only stockholders of record at the close of business on 29 April 2016 shall be entitled to notice of and to vote at the meeting.</p> <p>If you cannot attend the meeting but would like to be represented thereat, you may appoint a proxy in writing and file the same, together with the appropriate Board resolution for corporate stockholders and Special Power of Attorney for individual stockholders, with the Corporation on or before 19 May 2016. Said proxies shall be validated on 20 May 2016 at 10:00 a.m. at the Corporation's principal offices at 4th Floor Enzo Bldg. 399 Sen. Gil Puyat Avenue Makati, City.</p> <p>On the day of the meeting, you or your proxy are hereby required to bring this Notice and any form of identification, e.g. driver's license, company ID, TIN card, etc., to facilitate registration.</p>
<p><u>May 27, 2016</u></p>	<p>Item 4. Resignation, Removal or Election of Directors or Officers</p> <p>The stockholders of the issuer (referred herein as the "Company") at their annual meeting held on May 27, 2016, have re-elected the following Directors for the ensuing year:</p> <p style="text-align: center;">Edgardo P. Reyes Wilfrido P. Reyes Belen R. Castro Francisco M. Bayot, Jr. Manuel G. Arteficio</p> <p>Among the directors stated above, Mr. Manuel G. Arteficio and Mr. Francisco M. Bayot, Jr. are Independent Directors.</p> <p>That at the same annual meeting, the accounting firm of Sycip Gorres Velayo &amp; Co. was re-appointed as the Company's external auditors for the fiscal year 2016 with Mr. Kristopher S. Catalan being appointed as Engagement Partner.</p>


	<p>That after the annual stockholders' meeting, the Board of Directors at its organizational meeting re-elected the following Officers for the ensuing year:</p> <table> <tr> <td>Edgardo P. Reyes</td><td>- Chairman</td></tr> <tr> <td>Wilfrido P. Reyes</td><td>- President</td></tr> <tr> <td>Belen R. Castro</td><td>- Vice President &amp; Treasurer</td></tr> <tr> <td>Magilyn T. Loja</td><td>- Corporate Secretary</td></tr> <tr> <td>David R. Baladad</td><td>- Vice President for Operations and Compliance Officer</td></tr> <tr> <td>Zosimo L. Padro, Jr.</td><td>- Vice President for Finance</td></tr> </table> <p>and that the following Directors were designated members of the following Committees:</p> <p>Executive Committee</p> <table> <tr> <td>Edgardo P. Reyes</td><td>- Chairman</td></tr> <tr> <td>Wilfrido P. Reyes</td><td>- Member</td></tr> <tr> <td>Manuel G. Arteficio</td><td>- Member</td></tr> </table> <p>Nomination &amp; Remuneration Committee</p> <table> <tr> <td>Francisco M. Bayot, Jr.</td><td>- Chairman</td></tr> <tr> <td>Wilfrido P. Reyes</td><td>- Member</td></tr> <tr> <td>Belen R. Castro</td><td>- Member</td></tr> </table> <p>Audit Committee</p> <table> <tr> <td>Manuel G. Arteficio</td><td>- Chairman</td></tr> <tr> <td>Edgardo P. Reyes</td><td>- Member</td></tr> <tr> <td>Wilfrido P. Reyes</td><td>- Member</td></tr> </table>	Edgardo P. Reyes	- Chairman	Wilfrido P. Reyes	- President	Belen R. Castro	- Vice President & Treasurer	Magilyn T. Loja	- Corporate Secretary	David R. Baladad	- Vice President for Operations and Compliance Officer	Zosimo L. Padro, Jr.	- Vice President for Finance	Edgardo P. Reyes	- Chairman	Wilfrido P. Reyes	- Member	Manuel G. Arteficio	- Member	Francisco M. Bayot, Jr.	- Chairman	Wilfrido P. Reyes	- Member	Belen R. Castro	- Member	Manuel G. Arteficio	- Chairman	Edgardo P. Reyes	- Member	Wilfrido P. Reyes	- Member
Edgardo P. Reyes	- Chairman																														
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Manuel G. Arteficio	- Chairman																														
Edgardo P. Reyes	- Member																														
Wilfrido P. Reyes	- Member																														
<u>June 22, 2016</u>	<p>Item 9. Other Events</p> <p>On June 22, 2016, SOCResources, Inc. received from the National Commission on Indigenous Peoples (NCIP) a Certificate of Precondition (CP) (Certificate of Compliance to the FPIC Process and Certification that the Community has given its Consent) and the NCIP-approved Memorandum of Agreement with the Campong It Mangarapan It Palawano for the development of their 5,000-hectare ancestral land for an agro-forest coffee project located in Barangay Campong Ulay, Rizal, Palawan</p>																														


\*\*\*\*\*


# SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on May 02, 2017

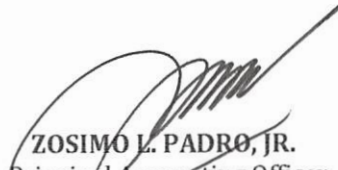
By:

  
**EDGARDO P. REYES**  
 Chief Executive Officer

  
**WILFRIDO P. REYES**  
 President

  
**BELEN R. CASTRO**  
 Vice President & Treasurer

  
**DAVID R. BALADAD**  
 Principal Operating Officer

  
**ZOSIMO L. PADRO, JR.**  
 Principal Accounting Officer

  
**MAGILYN T. LOJA**  
 Corporate Secretary

SUBSCRIBED AND SWORN to before me this 02 MAY 2017 day of April, 2017 affiant(s) exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes	Passport	EB7987031	April 26, 2013	DFA, Manila	Apr 25, 2018
Wilfrido P. Reyes	Passport	EB8746273	Jul 23, 2013	DFA, Manila	Jul 22, 2018
Belen R. Castro	Passport	EC1162064	May 21, 2014	DFA, Manila	May 20, 2019
David R. Baladad	PRC	0000609	Sep 30, 2015	PRC, Manila	Sep 13, 2018
Zosimo L. Padro, Jr.	IBP	36869	N/A	Manila	N/A
Magilyn T. Loja.	Driver's License	N02-94237237		Manila	May 06, 2017

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 Page No. : 30  
 Book No. : 30  
 Series of 2017.

  
**ATTY. VIRGILIO R. BATALLA**  
 NOTARY PUBLIC FOR MAKATI CITY  
 APPT. NO. M-88  
 UNTIL DEC. 31, 2018  
 ROLL OF ATTY. NO. 48348  
 MCLE COMPLIANCE NO. IV-0016333-4/10/13  
 I.B.P O.R No. 706762, LIFETIME MEMBER JAN 29, 2008  
 PTR No. 550-90-82 JAN.3, 2017  
 EXECUTIVE BLDG. CENTER  
 MAKATI AVE. COR., JUPITER ST. MAKATI CITY

**SOCResources, Inc. and Subsidiary**

## Schedule 3: Other long term investments and other Investments

## Available for Sale Financial Assets

As of December 31, 2016

*In Philippine Peso unless stated*

Name of Issuing Entity & Description of Investment	Number of Shares or Principal Amount of Bonds & Notes	Value Based on Market Quotations at the end of Reporting Period	Dividends, Interest Received from Investments not accounted for by the equity Method
<b>Investment in Shares of Stocks</b>			
<i>Listed - Domestic</i>			
Aboitiz Equity Ventures, Inc.	7,800	552,240	8,268
Lepanto Consolidated Mining Company "A"	2,078,000	407,288	
Manila Mining Corporation "A"	26,480,000	291,280	
Manila Water Company, Inc.	265,000	7,658,500	220,851
Petron	1,147,500	11,291,400	114,750
		<b>20,200,708</b>	<b>343,869</b>
<i>Not Listed - Domestic</i>			
Wackwack Golf & Country Club	1	20,500,000	
Southwest Resources, Inc.		3,333,500	
Mt. Malarayat Golf & Country Club	1	160,000	
		23,993,500	
Allowance for Impairment on AFS - Unlisted		(3,363,500)	
		<b>20,630,000</b>	
<b>TOTAL AVAILABLE FOR SALE FINANCIAL ASSETS</b>		<b>40,830,708</b>	

**SOCResources, Inc. and Subsidiary**

Schedule 4: Aging of Consolidated Accounts Receivable

As of December 31,2016

Accounts Receivable	CURRENT					PAST DUE			Past due accounts & Items in Litigation
	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos. To 1 Year	1-2 Years	3-5 Years	5 Years - Above	
1 Installment Contract Receivable	116,819,864	116,222,167	499,160	98,538	-	-	-	-	
2 Advances to Suppliers & Contractors	6,201,177	524,624	-	159,576	439,565	5,077,413	-	-	
3 Officers and employees	19,258,164	190,073	10,886	49,723	15,007,482	-	-	4,000,000	
4 Dividends	80,114	8,268	-	-	-	71,846	-	-	
5 SSS	-	-	-	-	-	-	-	-	
6 Unit Owners	8,733,370	8,733,370	-	-	-	-	-	-	
7 Due from Anuva Condo Corp.	2,124,797	2,124,797	-	-	-	-	-	-	
8 Others	1,446,243	653,363	242,973	1,980	307,245	93,494	40,426	106,762	
Subtotal	154,663,730	128,456,662	753,018	309,817	15,754,292	5,242,753	40,426	4,106,762	
Less: Allow. For Impairment losses on receivables	-	-	-	-	-	-	-	-	-
A/R - net	154,663,730	128,456,662	753,018	309,817	15,754,292	5,242,753	40,426	4,106,762	NONE
Net Receivables	<b>154,663,730</b>	<b>128,456,662</b>	<b>753,018</b>	<b>309,817</b>	<b>15,754,292</b>	<b>5,242,753</b>	<b>40,426</b>	<b>-</b>	<b>NONE</b>

**Notes:** If the Company's collection period does not match with the above schedule and revision is necessary to make the schedule not misleading, the proposed collection period in this schedule may be changed to appropriately reflect the Company's actual collection period.

## Accounts Receivable Description :

Type of A/R :	Nature/Description	Collection Period
		monthly payment of interest & quarterly payment of principal
1) Amount owed by a related party	Receivable from third party IPI Industries, Inc. (Principal & Interest)	
2) Officers and employees	Advances to employees for emergency purpose on a 1 year term payable monthly	monthly
3) Others	Receivable from third party	past due yet collectible
<b>Notes :</b> Indicate a brief description of the nature and collection period of each receivable accounts with major balances or separate receivable captions, both for trade and non-trade accounts.		

Normal Operating Cycle: 1 (one) year



**SOCResources, Inc. and Subsidiary**

Schedule 5: Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements  
As of December 31, 2016

		<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
		<b>December 31, 2015</b>		<b>December 31, 2016</b>
SOC Land Development, Corp.		1,234,526,298	1,350,851	1,235,877,150

**SOCRESOURCES, INC. AND SUBSIDIARY**

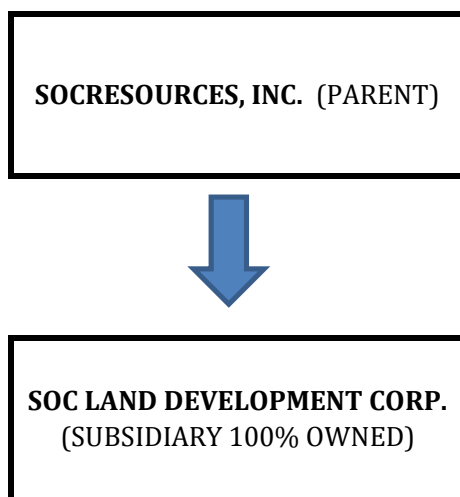
## Schedule 7: Key Performance Indicator

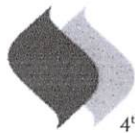
	KEY FINANCIAL RATIOS	December 31, 2016	December 31, 2015
I.	Current/Liquidity Ratios	13.87 x	10.77 x
II.	Solvency Ratio	24.91%	-12.14%
III.	Debt-to-equity ratio (in x)	0.0694 x	0.0969 x
IV.	Asset to Equity Ratio	1.0719 x	1.0969 x
V.	Interest Rate Coverage Ratio	N/A	N/A
VI.	Profitability Ratio		
	Return on Equity (ROE)	1.56%	-1.32%
	Return on Assets (ROA)	1.46%	-1.20%
VII.	Other Relevant Ratios		
	Revenue Growth/ (Decline)	-22.18%	65.90%
	Net Income Growth/ (Decline)	220.90%	44.19%
	EBITDA	Php 28,450,135	(18,965,657)

**SOCResources, Inc. and Subsidiary**

Schedule 8: Map of the Relationships of the Companies within the Group

As of December 31, 2016 and December 31, 2015





# SOCResources, Inc.

4<sup>th</sup> Flr. ENZO Building 399 Senator Gil Puyat Avenue, Makati City  
Metro Manila, Philippines 1200

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SOCResources, Inc. and subsidiary is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 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 financial statements that are free from material misstatement, whether due to fraud or error.


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

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

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


SYCIP GORRES VELAYO & CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

### Signed under oath by the following:

  
**EDGARDO P. REYES**  
Chairman/Chief Executive Officer

  
**WILFRIDO P. REYES**  
President

  
**BELEN R. CASTRO**  
Vice President/Treasurer

  
**ZOSIMO L. PADRO, JR.**  
Vice President - Finance

**17 APR 2017**

SUBSCRIBED AND SWORN to before me this 17 day of APR 2017 affiants exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes	Passport	EB7987031	Apr 26, 2013	DFA, Manila	Apr 25, 2018
Wilfrido P. Reyes	Passport	EB8746273	Jul 23, 2013	DFA, Manila	Jul 22, 2018
Belen R. Castro	Passport	EB0366990	May 21, 2014	DFA, Manila	May 20, 2019
Zosimo L. Padro, Jr.	IBP	36869	N/A	Manila	N/A

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Page No.: 57/8  
Book No.: 7/8  
Series of 2017.

**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY

APPT. NO. M-88

UNTIL DEC. 31, 2018

ROLL OF ATTY. NO. 48348

MCLE COMPLIANCE NO. 110016333-4/10/13

I.B.P.O.R No. 706762, LIFETIME MEMBER JAN 29, 2007

PTR No. 590-90-82 JAN. 3, 2017

EXECUTIVE BLDG. CENTER

MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Telephone No. 804-1978 \* Telefax No. 804-1977

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 0 9 2 - 0 6 4 4 1

### COMPANY NAME

S O C R E S O U R C E S , I N C . A N D  
S U B S I D I A R Y

### PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province )

4 t h F l o o r E n z o B u i l d i n g ,  
3 9 9 S e n a t o r G i l P u y a t A v e n u e ,  
M a k a t i C i t y 1 2 0 0

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

### COMPANY INFORMATION

Company's Email Address

www.southchinaresourcesinc.  
com.ph

Company's Telephone Number

804-1978

Mobile Number

N/A

No. of Stockholders

364

Annual Meeting (Month / Day)

05/26

Fiscal Year (Month / Day)

12/31

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ronna C. De Leon

Email Address

ronnadeleon\_soc@yahoo.  
com.ph

Telephone Number/s

804-1978

Mobile Number

0917-536-4732

### CONTACT PERSON's ADDRESS

4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
SOCResources, Inc.  
4<sup>th</sup> Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City 1200

### Opinion

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits 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.

### 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.



### **Revenue and Costs Recognition**

The Group applies the percentage-of-completion (POC) method in determining the real estate revenue and costs. The POC is based on the proportion of costs incurred to date, over the total estimated cost of the real estate project. The cost of real estate 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 account for 74% of the total consolidated revenue, and 100% of the total consolidated cost of real estate sales, 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 the buyer's payments from the total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. It is management's assumption that economic benefits will flow into the Group because of the buyers' continuing commitment to the sales agreement. The assessment of the stage of completion and the level of buyer's equity involves significant management judgment as disclosed in Note 2 to the consolidated financial statements.

### *Audit response*

We obtained an understanding of the Group's processes in evaluating the POC and the cost accumulation process, as well as in calculating and updating the total estimated costs. We also performed tests of the relevant controls on these processes, and assessed the competence, capabilities and objectivity of the project engineers with reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced the accumulated costs to the supporting documents such as the notices of award to contractors, billing statements, accomplishment reports, payment vouchers and official receipts. We visited selected project sites and made relevant inquiries with project engineers. We performed a test computation of management's calculation of the POC. For selected projects, we obtained the approved total estimated costs and the supporting details such as the duration of the work, terms of payment and other inclusions in the contract price. 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 also analyzed supporting documents such as sales and collection reports, and the related official receipts.

### **Other Information**

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

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

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



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

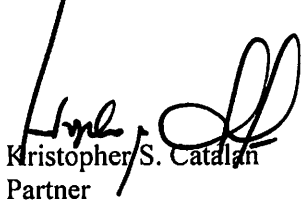
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 4, 2017



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱357,158,066	₱298,808,553
Receivables (Note 5)	75,635,832	177,266,750
Real estate inventories (Note 6)	1,082,121,596	1,111,283,626
Due from related parties (Note 17)	179,036	166,452
Prepayments and other current assets (Note 7)	68,390,280	54,477,053
<b>Total Current Assets</b>	<b>1,583,484,810</b>	<b>1,642,002,434</b>
<b>Noncurrent Assets</b>		
Receivables - net of current portion (Note 5)	78,848,862	25,203,983
Available-for-sale (AFS) financial assets (Note 8)	40,860,708	32,745,902
Property and equipment (Note 9)	34,682,617	37,086,763
Other noncurrent asset (Note 10)	27,088,243	31,695,342
<b>Total Noncurrent Assets</b>	<b>181,480,430</b>	<b>126,731,990</b>
<b>TOTAL ASSETS</b>	<b>₱1,764,965,240</b>	<b>₱1,768,734,424</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liability</b>		
Accounts payable and other liabilities (Note 11)	114,205,459	₱152,415,502
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 15)	4,222,219	3,757,551
Deferred tax liabilities (Note 16)	—	99,239
<b>Total Noncurrent Liabilities</b>	<b>4,222,219</b>	<b>3,856,790</b>
<b>Total Liabilities</b>	<b>118,427,678</b>	<b>156,272,292</b>
<b>Equity</b>		
Common stock - ₱1 par value (Note 18)		
Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares	600,559,569	600,559,569
Subscribed - 306,000,000 shares in 2016 and 2015 (net of subscription receivable of ₱229,500,000 in 2016 and 2015)	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated (Note 18)	745,000,000	500,000,000
Unappropriated	143,071,110	362,306,250
Other comprehensive income:		
Unrealized valuation gains on AFS financial assets (Note 8)	13,712,536	5,597,730
Actuarial gains on defined benefit plan (Note 15)	383,857	188,093
Treasury stock (Note 18)	(4,961,650)	(4,961,650)
<b>Equity</b>	<b>1,646,537,562</b>	<b>1,612,462,132</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,764,965,240</b>	<b>₱1,768,734,424</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
<b>REVENUE</b>			
Real estate sales	₱156,770,447	₱250,260,691	₱125,308,012
Interest income (Notes 4, 5 and 8)	13,195,736	4,867,872	2,892,358
Foreign exchange gains - net	328,198	287,439	3,398,108
Dividend income (Note 8)	343,869	273,350	1,299,658
Gain on sale of AFS financial assets (Note 8)	—	—	24,525,927
Other income (Note 14)	40,869,226	16,098,064	6,399,384
	<b>211,507,476</b>	<b>271,787,416</b>	<b>163,823,447</b>
<b>COSTS AND EXPENSES</b>			
Cost of real estate sales (Note 6)	(113,657,657)	(195,967,763)	(100,712,652)
General and administrative expenses (Note 12)	(56,370,938)	(66,942,563)	(52,367,413)
Sales and marketing expenses (Note 13)	(14,340,893)	(28,973,782)	(46,074,196)
	<b>(184,369,488)</b>	<b>(291,884,108)</b>	<b>(199,154,261)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>27,137,988</b>	<b>(20,096,692)</b>	<b>(35,330,814)</b>
<b>PROVISION FOR INCOME TAX (Note 16)</b>	<b>1,373,128</b>	<b>1,213,840</b>	<b>2,856,043</b>
<b>NET INCOME (LOSS)</b>	<b>25,764,860</b>	<b>(21,310,532)</b>	<b>(38,186,857)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Net gains (losses) on AFS financial assets (Note 8)	8,114,806	4,268,083	(22,915,268)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gains on defined benefit plan (Note 15)	195,764	78,566	12,939
	<b>8,310,570</b>	<b>4,346,649</b>	<b>(22,902,329)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱34,075,430</b>	<b>(₱16,963,883)</b>	<b>(₱61,089,186)</b>
<b>Basic/Diluted Loss Per Share (Note 19)</b>	<b>(₱0.0284)</b>	<b>(₱0.0235)</b>	<b>(₱0.0422)</b>

See accompanying Notes to Consolidated Financial Statements.



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**

	Common Stock (Note 18)		Additional Paid-in Capital	Retained Earnings (Note 18)		Other Comprehensive Income			Total
	Issued	Subscribed		Appropriated	Unappropriated	Unrealized Valuation Gains on AFS Financial Assets - net (Note 8)	Actuarial Gains on Defined Benefit Plan (Note 15)	Treasury Stock (Note 18)	
<b>Balances at December 31, 2013</b>	<b>₱600,489,569</b>	<b>₱76,517,500</b>	<b>₱72,272,140</b>	<b>₱500,000,000</b>	<b>₱421,803,639</b>	<b>₱24,244,915</b>	<b>₱96,588</b>	<b>(₱4,961,650)</b>	<b>₱1,690,462,701</b>
Net loss	-	-	-	-	(38,186,857)	-	-	-	(38,186,857)
Other comprehensive income (loss)	-	-	-	-	-	(22,915,268)	12,939	-	(22,902,329)
Total comprehensive income (loss)	-	-	-	-	(38,186,857)	(22,915,268)	12,939	-	(61,089,186)
<b>Balances at December 31, 2014</b>	<b>600,489,569</b>	<b>76,517,500</b>	<b>72,272,140</b>	<b>500,000,000</b>	<b>383,616,782</b>	<b>1,329,647</b>	<b>109,527</b>	<b>(4,961,650)</b>	<b>1,629,373,515</b>
Net loss	-	-	-	-	(21,310,532)	-	-	-	(21,310,532)
Other comprehensive income	-	-	-	-	-	4,268,083	78,566	-	4,346,649
Total comprehensive income (loss)	-	-	-	-	(21,310,532)	4,268,083	78,566	-	(16,963,883)
Common stock issuance	70,000	(70,000)	-	-	-	-	-	-	-
Collection of subscription receivable	-	52,500	-	-	-	-	-	-	52,500
<b>Balances at December 31, 2015</b>	<b>600,559,569</b>	<b>76,500,000</b>	<b>72,272,140</b>	<b>500,000,000</b>	<b>362,306,250</b>	<b>5,597,730</b>	<b>188,093</b>	<b>(4,961,650)</b>	<b>1,612,462,132</b>
Net income	-	-	-	-	25,764,860	-	-	-	25,764,860
Other comprehensive income	-	-	-	-	-	8,114,806	195,764	-	8,310,570
Total comprehensive income	-	-	-	-	25,764,860	8,114,806	195,764	-	34,075,430
Appropriations for the Subsidiary's project	-	-	-	600,000,000	(600,000,000)	-	-	-	-
Appropriations for agricultural project	-	-	-	145,000,000	(145,000,000)	-	-	-	-
Reversal of prior appropriations	-	-	-	(500,000,000)	500,000,000	-	-	-	-
<b>Balances at December 31, 2016</b>	<b>₱600,559,569</b>	<b>₱76,500,000</b>	<b>₱72,272,140</b>	<b>₱745,000,000</b>	<b>₱143,071,110</b>	<b>₱13,712,536</b>	<b>₱383,857</b>	<b>(₱4,961,650)</b>	<b>₱1,646,537,562</b>

*See accompanying Notes to Consolidated Financial Statements.*



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31		
	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax	₱27,137,988	(₱20,096,692)	(₱35,330,814)
Adjustments for:			
Depreciation and amortization (Note 9)	2,685,275	2,344,875	2,681,692
Provision for impairment loss on			
AFS financial assets (Note 8)	—	7,835,749	4,129,214
Gain on sale of AFS financial assets (Note 8)	—	—	(24,525,927)
Unrealized foreign exchange losses (gains)	(328,198)	(287,439)	5,839,137
Dividend income (Note 8)	(343,869)	(273,350)	(1,299,658)
Interest income (Notes 4, 5 and 8)	(13,195,736)	(4,867,872)	(2,892,358)
Retirement benefit cost (Note 15)	561,193	507,064	479,895
Gain on repossession (Note 14)	(15,398,166)	(5,428,035)	—
Operating income (loss) before working capital changes	1,118,487	(20,265,700)	(50,918,819)
Decrease (increase) in:			
Receivables	48,007,271	(41,902,172)	(85,357,220)
Due from related parties	(12,584)	(16,052)	28,973,538
Real estate inventories	44,560,196	162,735,641	(339,616,361)
Prepayments and other current assets	(9,306,128)	(7,272,650)	23,289,820
Increase (decrease) in accounts payable and other liabilities	(38,210,043)	(77,416,007)	191,732,710
Cash flows generated from (used in) operations	46,157,199	15,863,060	(231,896,332)
Interest received	13,174,504	4,867,872	674,065
Income taxes paid (including creditable withholding taxes)	(1,373,128)	(1,213,840)	(6,019,125)
Net cash flows from (used in) operating activities	57,958,575	19,517,092	(237,241,392)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received (Note 8)	343,869	273,350	1,589,677
Acquisitions of:			
Property and equipment (Note 9)	(281,129)	(4,886,443)	(3,663,693)
AFS financial assets (Note 8)	—	—	(6,247,447)
Proceeds from sale of AFS financial assets	—	—	326,181,603
Payments received from related parties (Note 17)	—	—	22,686,107
Interest received (Note 8)	—	—	3,020,632
Net cash flows from (used in) investing activities	62,740	(4,613,093)	343,566,879
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of capital stock	—	52,500	—
Due from related party (Note 17)	—	—	(11,611)
Cash flows from (used in) financing activities	—	52,500	(11,611)
<b>EFFECT OF EXCHANGE RATE CHANGES</b>			
<b>    ON CASH AND CASH EQUIVALENTS</b>	<b>328,198</b>	<b>287,439</b>	<b>(5,839,137)</b>
<b>NET INCREASE IN CASH</b>			
<b>    AND CASH EQUIVALENTS</b>	<b>58,349,513</b>	<b>15,243,938</b>	<b>100,474,739</b>
<b>CASH AND CASH EQUIVALENTS AT</b>			
<b>    BEGINNING OF YEAR</b>	<b>298,808,553</b>	<b>283,564,615</b>	<b>183,089,876</b>
<b>CASH AND CASH EQUIVALENTS AT</b>			
<b>    END OF YEAR (Note 4)</b>	<b>₱357,158,066</b>	<b>₱298,808,553</b>	<b>₱283,564,615</b>

See accompanying Notes to Consolidated Financial Statements.



## **SOCRESOURCES, INC. AND SUBSIDIARY**

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### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Corporate Information, Status of Operations and Approval of the Consolidated Financial Statements**

##### **Corporate Information**

SOCResources, Inc., (the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the Philippine SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land or the Subsidiary) was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010.

The registered office address of the Parent Company is 4<sup>th</sup> floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

##### **Status of Operations**

###### ***Real Estate Development***

In 2011, SOC Land undertook its maiden project called Anuva Residences (the Project). The Project involves the development of a 2.4-hectare community situated near Sucat Interchange and will have four tandem buildings. The total estimated cost of the Project is ₱2.0 billion and is targeted for completion within five years from the start of its construction.

On July 12, 2011, the groundbreaking ceremony for the Project was held and construction for the Project's Tandem Building 1 (Anala) commenced thereafter. Anala was completed in 2014, together with the parking lots and the amenities facing the first building. In May 2016, the Group has started the turn over of Anala to its buyers.

On September 2, 2011, SOC Land's Phase 1 project was duly registered with the Board of Investments (BOI) as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an Income Tax Holiday (ITH) for three years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of



registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH.

On December 14, 2011, the Housing and Land Use Regulatory Board released SOC Land's License to Sell for the Project.

On August 14, 2013, SOC Land has opted to surrender the original copy of the Certificate of Registration No. 2011-193 issued to SOC Land as New Developer of Low-Cost Mass Housing Project which will cancel SOC Land's entitlement to an ITH for three years.

In 2014, the Company launched a house and lot/lots only project that will be known as Althea Residences (Althea) which is located in Binan, Laguna with an initial offer of 214 choice lots, commercial and residential combined.

The second tandem building of Anuva (Azalea) was formally launched in 2014 and is expected to have sales of 476 units combined of studio, 1 bedroom and 2 bedroom units.

#### Approval of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were approved and authorized for issue by the BOD on April 4, 2017.

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## **2. Summary of Significant Accounting Policies**

### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for AFS financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and Subsidiary's functional currency. All values are rounded off to the nearest peso, except when otherwise indicated.

### Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRS includes statements named PFRS and Philippine Accounting Standards (PASs) and Philippine Interpretations from the International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiary, SOC Land. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control and continue to be consolidated until the date when such control ceases. The financial statements of the Subsidiary are prepared for the same reporting year as the Parent Company using consistent accounting policies.



Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Control is achieved where the Parent Company has all of the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of investor's returns.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized are eliminated in full.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the first time amendments, which are effective for annual periods beginning on or after January 1, 2016. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the consolidated financial statements.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

#### New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2016

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed on the next page. The Group intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of these standards and interpretations are not expected to have significant impact on the consolidated financial statements.

#### Effective January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*





*Effective January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 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 PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*

PFRS 9 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 Group is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

*Effective January 1, 2019*

- PFRS 16, *Leases*

Under the new standard, lessees will no longer 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*

#### Summary of Accounting Policies

##### Cash and Cash Equivalents

Cash includes cash on hand and with banks.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

##### Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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



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

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

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

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

#### Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

#### Financial Instruments

##### *Date of Recognition*

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.



All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### *Initial Recognition of Financial Instruments*

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). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

#### *"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 from observable 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 the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of "Day 1" difference.

#### *Classification of Financial Instruments*

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 reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Group has no financial assets or liabilities at FVPL and HTM as of December 31, 2016 and 2015.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest and transaction costs. Gains and losses are recognized in profit or loss when the 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.

The Group's loans and receivables consist of cash and cash equivalents, receivables, due from related parties and refundable deposits.



#### *Available-for-sale Financial Assets*

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVPL. Debt securities under this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in "Unrealized valuation gains (losses) on AFS financial assets" until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in profit or loss as other expenses. Interest earned while holding AFS financial assets is reported as interest income using the effective interest method.

The Group evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using effective interest method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

The Group's AFS financial assets consist of equity shares and golf club shares.

#### *Other Financial Liabilities*

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities consist of accounts payable and other liabilities, excluding taxes payable to government agencies.



### Impairment of Financial Assets

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

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

The Group has financial assets under the fair value hierarchy as of December 31, 2016 and 2015.

### *Financial Assets Carried at Amortized Cost*

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, 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.

### *AFS Financial Assets Carried at Fair Value*

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original 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 that financial asset previously recognized, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.



In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

A financial asset (or, when 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 rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

##### *Financial Liabilities*

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

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



#### Real Estate Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale. The amount of any write-down of inventories to NRV and all losses of inventories are recognized in profit or loss in the year the write-down or loss occurs.

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs. The total costs are allocated pro-rata based on the relative size of the property sold.

#### *Reposessed Inventories*

Reposessed inventories represent the acquisition costs of properties sold but subsequently reacquired by the Group due to buyer's default on payment of monthly amortization. These are measured at fair value. Any resulting gain is credited to "Other income" in profit or loss.

#### Prepayments

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

#### Advances to Suppliers and Contractors

Advances to suppliers and contractors represent advance payments on services to be incurred in connection with the Group's operations. Advances to suppliers and contractors are recognized under "Prepayments and other current assets" account in the consolidated statement of financial position. These are charged to expense in profit or loss, or capitalized to real estate inventories in the consolidated statement of financial position, as appropriate, when the services are rendered, which is normally within 12 months.

#### Creditable Withholding taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent asset. CWTs are classified in the "Prepayments and other current assets" account in the consolidated statement of financial position.

#### Value-added Tax (VAT)

VAT is equal to 12% of the purchase or selling price of the VATable goods and services. VAT imposed on purchases is called input VAT while VAT imposed on sales is called output VAT. Input VAT and output VAT are presented at gross in the consolidated statement of financial position. Revenues, expenses, assets and liabilities are recognized net of the amount of VAT, except where the VAT incurred on the 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 the asset or as part of the expense item, as applicable. VAT on the purchase of assets classified as capital assets exceeding a certain threshold as provided by the taxing authority is recognized as deferred input VAT and is amortized within the life of the asset of five years, whichever is shorter.

The input VAT recoverable from the taxation authority is included as part of "Prepayments and other current assets" or "Other noncurrent assets", while output VAT payable to the taxation authority is included as part of "Accounts payable and other liabilities" accounts in the consolidated statement of financial position.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment losses.

The initial cost of property and equipment comprises its purchase price including, import duties, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, except for leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter, as follows:

<u>Asset Type</u>	<u>Number of years</u>
Building	20
Office furniture and equipment	1-3
Transportation equipment	5

Leasehold improvements are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements except for, whichever is shorter.

Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.



### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

### Common Stock

The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the excess of the proceeds over the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares.

### Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Group's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Group's stockholders. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Appropriated retained earnings represent that portion which has been restricted, and therefore, not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

### Other Comprehensive Income (OCI)

OCI comprises items of income and expenses, including reclassification adjustments, which are not recognized in profit or loss as required or permitted by other standards.



#### Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Group and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

#### *Real Estate Sales*

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 sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

The percentage of completion (POC) method is used to recognize income from sale of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. The Group start recognizing income under POC when the equitable interest has been transferred to the buyer, 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), and the costs incurred or to be incurred can be measured reliable. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of actual costs incurred to date over the estimated total costs to complete the project.

When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated statement of financial position as part of real estate inventories and the deposit as part of as "Customers' deposits" included under the "Accounts payable and other liabilities" account in the consolidated statement of financial position.

#### *Cost of Real Estate Sales*

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium 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.

The cost of real estate sales recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.



Any changes in estimated development costs used in the determination of the amount of revenue and cost are recognized in profit or loss in the period in which the change is made.

*Interest Income*

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

*Dividend Income*

Dividend income is recognized when the Group's right to receive the payment is established, usually upon declaration of the dividends.

*Gain on Sale of Available-for-sale Financial Assets and Held-to-maturity Investments*

Realized gain or loss on sale of AFS financial assets and HTM investments is recognized in profit or loss when the Group disposes its AFS financial assets and HTM investments.

*Other income*

Other income pertains to the gain arising from forfeiture or cancellation of prior years' real estate sales.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

*General and Administrative Expenses*

Expenses incurred in the general administration of day-to-day operation of the Group are generally recognized when the service is used or the expense arises.

*Sales and Marketing Expenses*

Expenses incurred in the direct selling and marketing activities are generally recognized when the service is incurred or the expense arises.

*Commission Expense*

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the POC method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Sales and marketing expenses" account in the consolidated statement of comprehensive income. Commission expense incurred but not yet paid as of reporting date is presented as part of "Accounts payable and other liabilities" in the consolidated statement of financial position.

Retirement Benefits Cost

The Group recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Retirement benefits cost comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the consolidated statement in comprehensive loss in subsequent periods.

#### Income Taxes

##### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recoverable from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the consolidated statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Prepayments and other current assets" account in the consolidated statement of financial position.

##### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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



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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

#### Basic/Diluted Earnings (Loss) Per Share

Basic earnings per share is computed by dividing net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after giving retroactive effect to any stock dividends or stock splits, if any, declared during the year.

Diluted earnings per share is computed in the same manner, with the net income for the year attributable to equity holders of the Parent Company and the weighted average number of common shares outstanding during the year, adjusted for the effect of all dilutive potential common shares.

#### Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of 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 that 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 a 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 the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).



Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

#### 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

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

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

#### Judgments

##### *Revenue Recognition*

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on, among others, the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and stage of completion of the project. Based on the judgment of the Group, the POC method is appropriate in recognizing revenue on real estate sale transactions in 2016, 2015 and 2014.

##### *Classification of Financial Instruments*

The Group exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position (see Note 20).



*Operating Leases - The Group as Lessee*

The Group has entered into a lease for its administrative office location. The Group has determined that all the significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, these leases are accounted for as operating leases.

Estimates and Assumptions

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

*Revenue and Cost Recognition*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate sales recognized based on the POC is determined based on actual costs incurred to date over the estimated total costs to complete the project reconciled with the project engineer's judgment and estimates on the physical portion of contract work done if the development is beyond the preliminary stage.

Real estate sales and cost of real estate sales amounted to ₱156.8 million and ₱113.7 million in 2016 ₱250.3 million and ₱196.0 million in 2015, and ₱125.3 million and ₱100.7 million in 2014, respectively.

*Estimation of Allowance for Impairment of Loans and Receivables*

The level of allowance for loans and receivables is evaluated by management based on past collection history and other factors which include, but are not limited to the length of the Group's relationship with the customer, the customer's payment behavior and known market factors that affect the collectability of the accounts.

There are no allowance for impairment losses on loans and receivables as of December 31, 2016 and 2015. Receivables and due from related parties amounted to ₱154.7 million and ₱202.6 million as of December 31, 2016 and 2015, respectively (see Notes 5 and 17).

*Measurement of Net Realizable Value of Real estate Inventories*

The Group adjusts the cost of its real estate inventories to NRV based on its assessment of the recoverability of the inventories. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Real estate inventories at cost amounted to ₱1,082.1 million and ₱1,111.3 million as of December 31, 2016 and 2015, respectively. In 2016 and 2015, the Group assessed that the NRV of real estate inventories is higher than cost, hence the Group did not recognize any losses on write down of real estate inventories (see Note 6).





*Estimation of Useful Lives of Property and Equipment, Excluding Land*

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

There were no changes in the estimated useful life of property and equipment in 2016 and 2015. The carrying values of property and equipment amounted ₱18.3 million and ₱20.8 million as of December 31, 2016 and 2015, respectively (see Note 8).

*Valuation of Financial Instruments*

PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Group's financial assets and liabilities are disclosed in Note 20.

*Impairment of AFS Financial Assets*

The Group treats AFS financial assets as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Group evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Group also considers the ability of the investee to provide dividends.

As of December 31, 2016 and 2015, the Group's provision for impairment loss on AFS financial assets amounted to nil and ₱7.8 million, respectively (see Note 8).

The carrying amounts of AFS financial assets amounted to ₱40.9 million and ₱32.7 million as of December 31, 2016 and 2015, respectively (see Note 8). The change in the fair value of the AFS financial assets is recorded as "Unrealized valuation gains on AFS financial assets" account in the equity section of the consolidated statement of financial position. As of December 31, 2016 and 2015, the unrealized valuation gain on AFS financial assets amounted to ₱13.7 million and ₱5.6 million, respectively (see Note 8).

*Impairment of Nonfinancial Assets*

The Group evaluates its impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.



An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

No provision for impairment losses was recognized in 2016, 2015 and 2014. The carrying values of nonfinancial assets amount to ₱61.8 million and ₱68.9 million as of December 31, 2016 and 2015, respectively (see Notes 9 and 10).

#### *Recognition of Deferred Income Tax Assets*

The Group reviews the carrying amounts of deferred income tax assets at each financial reporting date and reduces the amounts to the extent that they are no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

The Group recognized deferred income tax asset amounting to ₱11.2 million and ₱3.9 million as of December 31, 2016 and 2015, respectively (see Note 16).

#### **4. Cash and Cash Equivalents**

	2016	2015
Cash on hand and in banks	₱59,792,734	₱75,352,158
Cash equivalents	297,365,332	223,456,395
	<b>₱357,158,066</b>	<b>₱298,808,553</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱2.6 million, ₱2.1 million and ₱0.6 million in 2016, 2015 and 2014, respectively.



## 5. Receivables

	2016	2015
Installment contract receivables	₱116,819,864	₱178,078,526
Advances to:		
Officers and employees	19,258,164	6,514,238
Suppliers and contractors	6,201,177	5,686,578
Agents	1,056,607	659,931
Other receivables	11,148,882	11,531,460
	154,484,694	202,470,733
Less current portion of receivables	(75,635,832)	(177,266,750)
	₱78,848,862	₱25,203,983

- a. Installment contract receivables arises from sale of real estate and is collectible in monthly installments over a period ranging from one to 10 years which bears interest rates of 14.0% to 16.0% in 2016 and 2015 computed on the diminishing balance.

Interest income earned amounted to ₱8.8 million, ₱2.4 million and nil in 2016, 2015 and 2014, respectively.

- b. Advances to officers and employees are noninterest-bearing and will generally be settled through liquidation and salary deduction, respectively. These receivables will be settled within the next financial year.
- c. Advances to suppliers and contractors are payments made to suppliers as contracts with them generally require advance payment. The amount will be applied as part of the full payment of the contracted price.
- d. Other receivables consists mostly of receivables from unit owners.

## 6. Real Estate Inventories

	2016	2015
Condominium and residential units	₱577,738,822	₱614,141,232
Subdivision projects for development	334,782,960	332,914,287
Lot inventory	169,599,814	164,228,107
	₱1,082,121,596	₱1,111,283,626

A summary of the movement in real estate inventories is set out below:

	2016	2015
Balances at beginning of year	₱1,111,283,626	₱1,365,439,533
Development costs incurred (Note 23)	20,561,570	38,660,157
Disposals recognized as cost of real estate sales	(113,657,657)	(195,967,763)
Reposessed inventories	63,934,057	23,898,958
Change in development plan	—	(96,848,301)
	₱1,082,121,596	₱1,111,283,626

Change in development plan pertains to accrued costs related to the amenities of Anuva Project. As of December 31, 2016, construction of the portion of the amenities has not yet started.



## 7. Prepayments and Other Current Assets

	2016	2015
Input VAT - current portion (Note 10)	₱46,813,687	₱40,246,584
Prepaid taxes	18,835,254	10,401,945
Refundable deposits (Note 23)	2,687,786	3,430,359
Others	53,553	398,165
	<b>₱68,390,280</b>	<b>₱54,477,053</b>

Refundable deposits are composed of security deposits related to the Group's lease agreement and utility deposits to Manila Electric Corporation.

## 8. AFS Financial Assets

	2016	2015
Shares of stock	₱20,200,708	₱15,645,902
Golf club shares	20,660,000	17,100,000
	<b>₱40,860,708</b>	<b>₱32,745,902</b>

The Group's AFS financial assets pertain to investments in shares of stock of various publicly-listed companies and golf club shares.

The fair values of the shares of stock are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange. The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

The fair value of quoted club share is determined by reference to published price quotation. The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

Dividend income earned from equity securities classified as "AFS financial assets" amounted to ₱0.3 million, ₱0.3 million and ₱1.3 million in 2016, 2015 and 2014, respectively.

### *Sale of Equity Shares and Quoted Bonds*

In 2014, the Group sold some of its AFS investments in listed equity shares and quoted bonds. Gain on sale of AFS financial assets in listed equity shares and quoted bonds recognized in profit or loss amounted to ₱21.4 million and ₱3.1 million, respectively. Interest income earned from quoted bonds in 2014 amounted to ₱2.3 million.

The rollforward of net changes in fair value of AFS financial assets during the years ended December 31 are as follows:

	2016	2015
Balances at beginning of year	₱5,597,730	₱1,329,647
Fair value adjustments (net of impairment loss amounting to nil in 2016 and ₱7.8 million in 2015)	8,114,806	4,268,083
Balances at end of year	<b>₱13,712,536</b>	<b>₱5,597,730</b>



## 9. Property and Equipment

December 31, 2016

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱9,288,463	₱13,762,035	₱5,383,909	₱63,504,683
Additions	-	-	165,057	-	116,072	281,129
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>18,734,059</b>	<b>9,453,520</b>	<b>13,762,035</b>	<b>5,499,981</b>	<b>63,785,812</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	-	3,534,442	8,254,248	13,675,577	953,653	26,417,920
Depreciation and amortization (Notes 12 and 13)	-	936,703	710,083	86,458	952,031	2,685,275
<b>Balances at end of year</b>	<b>-</b>	<b>4,471,145</b>	<b>8,964,331</b>	<b>13,762,035</b>	<b>1,905,684</b>	<b>29,103,195</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱14,262,914</b>	<b>₱489,189</b>	<b>₱-</b>	<b>₱3,594,297</b>	<b>₱34,682,617</b>

December 31, 2015

	Land	Building	Office Furniture and Equipment	Transportation Equipment	Leasehold Improvements	Total
<b>Cost</b>						
Balances at beginning of year	₱16,336,217	₱18,734,059	₱9,065,447	₱13,762,035	₱720,482	₱58,618,240
Additions	-	-	223,016	-	4,663,427	4,886,443
<b>Balances at end of year</b>	<b>16,336,217</b>	<b>18,734,059</b>	<b>9,288,463</b>	<b>13,762,035</b>	<b>5,383,909</b>	<b>63,504,683</b>
<b>Accumulated depreciation and amortization</b>						
Balances at beginning of year	-	2,597,739	7,227,461	13,527,363	720,482	24,073,045
Depreciation and amortization (Notes 12 and 13)	-	936,703	1,026,787	148,214	233,171	2,344,875
<b>Balances at end of year</b>	<b>-</b>	<b>3,534,442</b>	<b>8,254,248</b>	<b>13,675,577</b>	<b>953,653</b>	<b>26,417,920</b>
<b>Net book values</b>	<b>₱16,336,217</b>	<b>₱15,199,617</b>	<b>₱1,034,215</b>	<b>₱86,458</b>	<b>₱4,430,256</b>	<b>₱37,086,763</b>

As of December 31, 2016 and 2015, the cost of fully depreciated property and equipment amounted to ₱13.8 million and ₱13.5 million, respectively. These are retained in the records and still used by the Parent Company until these are disposed or the Parent Company vacate the leased premises.

## 10. Other Noncurrent Asset

Other noncurrent asset as of December 31, 2016 and 2015 consist of input VAT that is expected to be offset against output VAT in more than one year and deferred input VAT amounted to ₱27.1 million and ₱31.7 million, respectively.

## 11. Accounts Payable and Other Liabilities

	2016	2015
Accounts payable - trade	₱4,876,900	₱11,594,480
Accrued expenses	4,866,227	10,606,434
Customers' deposits	51,037,088	79,424,535
Accrued contractors' payables	40,003,016	41,440,654
Retention payables (Note 23)	7,278,248	7,865,391
Government payables	6,143,980	1,484,008
	<b>₱114,205,459</b>	<b>₱152,415,502</b>



- a. Accounts payable includes billings of various suppliers and contractors for liabilities incurred in relation to the project and office administrative functions. Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days.
- b. Accrued contractors' payables represent accruals for billings of various contractors in relation to the Anuva and Althea Project. These accruals are reclassified to accounts payable once billings are actually received.
- c. Retention payables represent the amount retained by the Group as security for any defects and damages on the construction of Anala arising from or due to faulty workmanship and/or defective contractor-supplied materials before the final acceptance of the Anala and the payment of the last billing. Retention payable is expected to be settled within the next financial year.
- d. Government payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund, withholding tax payables and have an average term of 15 to 30 days.

## 12. General and Administrative Expenses

	2016	2015	2014
Personnel costs	₱12,927,854	₱13,216,495	₱13,931,841
Taxes and licenses	8,702,618	6,176,227	2,565,237
Travel and transportation	8,333,946	7,152,471	3,076,630
Professional fees	4,102,886	3,816,688	4,491,352
Rent and utilities (Note 23)	3,992,098	5,519,119	2,643,165
Property management expense	3,446,488	4,482,147	1,499,330
Research and development expenses	2,894,414	4,033,140	1,572,846
Outside services	2,688,842	6,059,891	10,319,352
Depreciation and amortization (Note 9)	2,604,688	2,075,998	2,021,379
Telecommunications and postage	1,133,431	981,633	1,068,903
Supplies	849,018	770,206	809,692
Dues and subscription	825,475	1,118,053	617,913
Insurance	709,652	352,723	366,180
Entertainment and representation	746,425	252,580	262,376
Repairs and maintenance	669,447	462,000	258,183
Trainings and seminars	298,897	211,871	288,128
Provision for impairment loss on AFS financial assets (Note 8)	—	7,835,749	4,129,214
Interest expense	—	425,284	1,281,906
Others	1,444,759	2,000,288	1,163,786
	<b>₱56,370,938</b>	<b>₱66,942,563</b>	<b>₱52,367,413</b>

Others include bank charges and other miscellaneous costs.



Personnel costs consist of:

	2016	2015	2014
Salaries and wages	₱11,353,107	₱11,278,801	₱10,077,846
Short term employee benefits	1,337,596	1,430,630	3,374,100
Retirement benefits cost (Note 15)	561,193	507,064	479,895
	₱12,927,854	₱13,216,495	₱13,931,841

### 13. Sales and Marketing Expenses

	2016	2015	2014
Commissions and incentives	₱4,830,254	₱18,073,326	₱21,086,201
Product presentation	4,350,491	910,093	11,024,446
Consultancy fees	2,958,462	6,599,886	9,804,887
Advertising	861,542	1,077,541	497,595
Rent and utilities (Note 23)	833,708	1,615,338	2,098,364
Telecommunications and postage	243,899	70,261	394,930
Travel and transportation	146,761	335,621	224,532
Depreciation and amortization (Note 9)	80,587	268,877	660,313
Others	35,189	14,594	274,859
	₱14,340,893	₱28,973,782	₱46,074,196

Others include expenses from meetings, janitorial fees and other expenses directly attributable to sales and marketing.

### 14. Other Income

	2016	2015	2014
Forfeited buyer deposits	₱19,163,258	₱7,911,436	₱4,875,962
Gain on repossession	15,398,166	5,428,035	—
Penalty income and late payment charges	602,679	2,045,693	1,389,585
Others	5,705,123	712,900	133,837
	₱40,869,226	₱16,098,064	₱6,399,384

- Forfeited buyer deposits are recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale.
- Gain on repossession represents the difference between the fair value of the repossessed inventories and the carrying value of the ICR and any amount refundable to the buyer at the date of repossession.
- Penalty are additional fees imposed on customers due to their failure to make payments on time.
- Others pertain to the reversal of long outstanding payables in 2016 amounting to ₱3.5 million as the Group assessed that these will no longer be collected by the suppliers.



## 15. Retirement Benefit Obligation

The Group has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2016.

Retirement benefits cost recognized in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Current service cost	₱382,704	₱316,836	₱330,927
Interest cost	178,489	190,228	148,968
	<b>₱561,193</b>	<b>₱507,064</b>	<b>₱479,895</b>

Amounts recognized in other comprehensive income pertaining to actuarial gain amounted to ₱195,764, ₱78,566 and ₱12,939, in 2016, 2015 and 2014, respectively.

Changes in the present value of the retirement benefit obligation are as follows:

	2016	2015
Beginning	₱3,757,551	₱3,428,292
Current service cost	382,704	316,836
Interest cost	178,489	190,228
Actuarial gain due to:		
Experience adjustments	(58,447)	(60,168)
Change in assumptions	(38,078)	(117,637)
Ending	<b>₱4,222,219</b>	<b>₱3,757,551</b>

The principal assumptions as of used to determine retirement benefit obligations for the plan are shown below:

	2016	2015
Discount rate	3.60%-5.34%	4.71%-5.03%
Future salary increase	3.00%-10.00%	3.00%-10.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming all other assumptions were held constant:

### December 31, 2016:

	Increase (decrease) in basis points	Effect on retirement benefit obligation
Discount rate	100	(₱638,501)
	(100)	813,235
Future salary increase rate	100	831,235
	(100)	(641,567)





December 31, 2015:

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rate	100	(₱200,154)
	(100)	232,723
Future salary increase rate	100	204,262
	(100)	(178,109)

The estimated weighted average duration of benefit payment is 18 years as of December 31, 2016 and 2015.

Shown below is the maturity profile of the undiscounted benefit payments:

	2016	2015
Less than one year	₱2,293,732	₱2,095,238
More than one year to 10 years	1,789,573	1,765,447
More than 10 years to 30 years	11,589,990	11,674,182

## 16. Income Taxes

- The Parent Company has no provision for current income tax in 2016, 2015, and 2014. The Subsidiary's current provision for income tax represents MCIT in 2016, 2015 and 2014.
- The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	2016	2015	2014
Provision for (benefit from) income tax computed at statutory tax rate	₱8,141,398	(₱6,029,008)	(₱10,599,244)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	3,580,515	3,219,028	4,081,250
Nontaxable income	(103,161)	(82,005)	(6,031,541)
Interest income subjected to final tax	(1,314,158)	(730,889)	(164,466)
Movements in deductible temporary differences, NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized	(8,931,466)	4,836,714	15,570,044
Provision for income tax	₱1,373,128	₱1,213,840	₱2,856,043



- c. The components of the Group net deferred tax asset (liabilities) are as follows:

	2016	2015
Deferred income tax asset on NOLCO	₱11,199,511	₱3,858,800
Deferred income tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	(6,395,370)	(3,772,568)
Gain on repossession	(4,619,450)	
Unrealized foreign exchange gain	(184,691)	(86,232)
Actuarial gain on defined benefit plan	—	(99,239)
	₱—	(₱99,239)

- d. The Group's deductible temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for which no deferred income tax assets were recognized consists of the following:

	2016	2015
NOLCO	₱55,653,959	₱107,559,034
Accrued expenses	4,453,774	7,220,021
Retirement benefit obligation	4,222,219	3,757,551
Excess MCIT over RCIT	2,959,109	1,585,981

- e. Unused NOLCO and excess MCIT over RCIT that can be claimed as deduction against future taxable income and RCIT due, respectively, follows:

NOLCO

Year Incurred	Balance as of December 31, 2015	Addition (Applied)	Expired	Balance as of December 31, 2016	Tax effect	Available Until
2013	₱38,184,929	(₱18,423,452)	(₱19,761,477)	₱—	₱—	2016
2014	59,267,361	—	—	59,267,361	17,780,208	2017
2015	22,969,411	—	—	22,969,411	6,890,823	2018
2016	—	10,748,890	—	10,748,890	3,224,667	2019
	₱120,421,701	₱7,674,562	(₱19,761,477)	₱92,985,662	₱27,895,698	

Excess MCIT over RCIT

Year Incurred	Balance as of December 31, 2015	Addition	Balance as of December 31, 2016	Tax effect	Available Until
2014	₱372,141	—	₱372,141	₱372,141	2017
2015	1,213,840	—	1,213,840	1,213,840	2018
2016	—	1,373,128	1,373,128	1,373,128	2019
	₱1,585,981	₱1,373,128	₱2,959,109	₱2,959,109	



## 17. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Group has significant related party transactions as follows:

	Amount/volume		Outstanding balance		Terms	Conditions
	2016	2015	2016	2015		
South China Petroleum International (SCPI)						
Due from related party	¥12,584	¥16,052	¥179,036	¥166,452	Due and demandable	Unsecured; No impairment
<b>Total</b>	<b>¥12,584</b>	<b>¥16,052</b>	<b>¥179,036</b>	<b>¥166,452</b>		

- SCPI is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.
- Salaries and short-term employee benefits of key management personnel amounted to ¥4.2 million, ¥4.3 million and ¥4.4 million in 2016, 2015 and 2014, respectively.



## 18. Equity

### a. Common Stock

The Parent Company's authorized, issued and outstanding common shares are as follows:

	December 31, 2016		December 31, 2015	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
Issued	600,559,569	600,559,569	600,559,569	600,559,569
Subscribed	306,000,000	306,000,000	306,000,000	306,000,000
Treasury	4,639,000	(4,961,650)	4,639,000	(4,961,650)
Total issued and outstanding		₱901,597,919		₱901,597,919

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

In 2015, 70,000 shares subscribed shares were fully paid and issued. Collection from such shares in 2015 amounted to ₱52,500.

### b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects.

On December 8, 2016, the BOD approved a resolution for the reversal of the 2011 appropriation of retained earnings and further earmarking ₱600.0 million and ₱145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea Project and the Parent Company's agricultural projects, respectively. The construction of the second tandem building of Anuva project, "Azalea" is expected to be completed on the 4<sup>th</sup> quarter of 2018.

### c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. The program ended last December 22, 2013 purchasing a total of 4,639,000 shares for ₱4.9 million.



## 19. Basic/Diluted Loss Per Share

	2016	2015	2014
Net income (loss)	₱25,764,860	(₱21,310,532)	(₱38,186,857)
Weighted average number of shares	906,559,569	905,645,387	905,575,387
Basic/Diluted Loss per Share	(₱0.0284)	(₱0.0235)	(₱0.0422)

There are no dilutive potential common shares outstanding as of December 31, 2016, 2015 and 2014.

## 20. Financial Instruments

### Financial Risk Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, receivables, due from related parties, refundable deposits, AFS financial assets. The main purpose of the Group's financial instruments is to finance its operations. The Group has other financial instruments such as accounts payable and other liabilities which arise directly from its operations.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, liquidity risk, equity price risk and foreign exchange risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.

### *Credit Risk*

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group is exposed to credit risk primarily because of its investing and operating activities. The Group is exposed to credit risk arising from the counterparties to its financial assets.

### *Credit Risk Management*

In managing credit risk on these investments, capital preservation is paramount. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Group, which comprise of cash and cash equivalents, receivables, due from related parties and refundable deposits, management monitors these financial assets on an ongoing basis with the result that the Group's exposure to impairment losses is not significant.



### *Credit Risk Exposures*

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, due from related parties, AFS financial assets and refundable deposits, is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position. The maximum exposure to credit risk for due from related parties is equivalent to the carrying amount of these financial assets as carried in the consolidated statement of financial position, which is secured by collateral.

### *Credit Risk Concentration Profile*

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

### *Credit Quality of Financial Assets*

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

The tables below show the credit quality by class of financial asset based on the Group's rating system:

#### December 31, 2016

	<u>Neither Past Due Nor Impaired</u>		<u>Past Due</u>	<u>Total</u>
	<u>High Grade</u>	<u>Standard Grade</u>	<u>But Not Impaired</u>	
<b>Loans and receivables:</b>				
Cash and cash equivalents*	₱357,068,154	₱—	₱—	₱357,068,154
Receivables	29,500	116,819,863	37,635,331	154,484,694
Due from related parties	—	179,036	—	179,036
Refundable deposits	2,687,786	—	—	2,687,786
<b>AFS financial assets:</b>				
Shares of stock	20,200,708	—	—	20,200,708
Golf club shares	20,660,000	—	—	20,660,000
	<b>₱400,646,148</b>	<b>₱116,998,899</b>	<b>₱37,635,331</b>	<b>₱555,280,378</b>

\*Excluding cash on hand.

#### December 31, 2015

	<u>Neither Past Due Nor Impaired</u>		<u>Past Due</u>	<u>Total</u>
	<u>High Grade</u>	<u>Standard Grade</u>	<u>But Not Impaired</u>	
<b>Loans and receivables:</b>				
Cash and cash equivalents*	₱297,990,492	₱—	₱—	₱297,990,492
Receivables	2,187,165	178,078,528	22,205,040	202,470,733
Due from related parties	—	166,452	—	166,452
Refundable deposits	2,680,226	—	—	2,680,226
<b>AFS financial assets:</b>				
Shares of stock	15,645,902	—	—	15,645,902
Golf club shares	17,100,000	—	—	17,100,000
	<b>₱335,603,785</b>	<b>₱178,244,980</b>	<b>₱22,205,040</b>	<b>₱536,053,805</b>

\*Excluding cash on hand.



A high grade financial asset pertains to a counterparty that is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies. Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets. Past due but not impaired financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

The aging analysis of financial assets that are past due but not impaired as of December 31 follows:

	2016	2015
Less than 30 days	₱4,056,093	₱1,155,957
31-60 days	240,791	350,000
61-90 days	86,840	-
More than 90 days	33,251,607	20,699,083
	<b>₱37,635,331</b>	<b>₱22,205,040</b>

#### *Liquidity Risk*

Liquidity risk is the risk that the Group will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarize the maturity profile of the Group's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Group's financial liabilities based on contractual undiscounted payments.

#### December 31, 2016

	Total	On Demand	Less than 3 Months	3 to 12 Months	More than 1 year
<b>Financial Assets</b>					
<b>Loans and receivables:</b>					
Cash and cash equivalents	₱357,158,066	₱357,158,066	₱-	₱-	₱-
Receivables	154,484,694	37,635,331	33,439,684	4,560,817	78,848,862
Due from related parties	179,036	179,036	-	-	-
Refundable deposits	2,687,786	2,687,786	-	-	-
<b>AFS financial assets:</b>					
Shares of stock	20,200,708	-	-	-	20,200,708
Golf club shares	20,660,000	-	-	-	20,660,000
	<b>555,370,290</b>	<b>397,660,219</b>	<b>33,439,684</b>	<b>4,560,817</b>	<b>119,709,570</b>
<b>Financial Liability</b>					
<b>Other financial liability:</b>					
Accounts payable and other liabilities**	57,024,391	9,277,895	47,746,496	-	-
<b>Liquidity position (gap)</b>	<b>₱498,345,899</b>	<b>₱388,382,324</b>	<b>(₱14,306,812)</b>	<b>₱4,560,817</b>	<b>₱119,709,570</b>

\*\*Excluding government payables and customers' deposits



December 31, 2015

	Total	On Demand	Less than 3 Months	3 to 6 Months	More than 1 year
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	₱297,990,442	₱297,990,442	₱-	₱-	₱-
Receivables	202,470,733	57,786,044	119,480,706	-	25,203,983
Due from related parties	166,452	-	-	166,452	-
Refundable deposits	3,430,359	2,879,121	551,238	-	-
AFS financial assets:					
Shares of stock	15,645,902	-	-	-	15,645,902
Golf club shares	17,100,000	-	-	-	17,100,000
	536,803,888	358,655,607	120,031,944	166,452	57,949,885
<b>Financial Liability</b>					
Other financial liability:					
Accounts payable and other liabilities**	71,506,959	20,504,801	51,002,158	-	-
<b>Liquidity position (gap)</b>	<b>₱465,296,929</b>	<b>₱338,150,806</b>	<b>₱69,029,786</b>	<b>₱166,452</b>	<b>₱57,949,885</b>

\*\*Excluding government payables and customers' deposits

### *Equity Price Risk*

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Group's AFS financial assets in equity securities. The Group measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

The Group measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

In 2016 and 2015, changes in fair value of equity instruments held as AFS financial assets due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱4.1 million and ₱3.3 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

### *Foreign Currency Risk*

Foreign currency risk is the risk where the value of the Group's financial instrument diminishes due to changes in foreign exchange rates. The Group's foreign currency risk relates to its US\$-denominated cash. The Group seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Group currently does not enter into derivative transactions to hedge its currency exposure.

The Group recognized foreign exchange gain (loss) of ₱0.3 million, ₱0.3 million, and (₱5.8 million) for the years ended December 31, 2016 and 2015. The exchange rate of Peso to US\$ as of December 31, 2016 and 2015 used in translating the US\$-denominated financial instruments is ₱49.72 and ₱47.06, respectively.





The following table demonstrates the impact on the Group's net loss before income tax of reasonably possible changes in the US\$ (all other variables held constant). There is no other impact on the Group's equity other than those already affecting profit or loss as follows:

2016		2015	
Movement in US\$ rates	Effect on net income	Movement in US\$ rates	Effect on net loss
+4%	(P245,547)	+5%	P289,835
-4%	245,547	-5%	(289,835)

#### Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value.

#### *Cash and Cash Equivalents, Receivables, Due from Related Party, Refundable Deposits and Accounts Payable and Other Liabilities*

The carrying amounts of cash and cash equivalents, receivables, due from related parties, refundable deposits and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

#### *AFS financial assets*

Fair value of AFS financial assets is based on the quoted market bid prices at the close of business as of the reporting date.

#### Fair Value Hierarchy

The table below summarizes the fair value hierarchy of Group's financial assets.

#### December 31, 2016

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	P20,200,708	P—	P—	P20,200,708
Golf club shares	20,660,000	—	—	20,660,000
	P40,860,708	P—	P—	P40,860,708

#### December 31, 2015

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	P15,645,902	P—	P—	P15,645,902
Golf club shares	17,100,000	—	—	17,100,000
	P32,745,902	P—	P—	P32,745,902

As of December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.

#### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.



The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015.

The following table pertains to the account balances which the Group considers as its core economic capital:

	2016	2015
Common stock	₱600,559,569	₱600,559,569
Subscribed common stock - net	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings	888,071,111	862,306,250
Treasury stock	(4,961,650)	(4,961,650)
	<b>₱1,632,441,170</b>	<b>₱1,606,676,309</b>

## 21. Segment Information

For management purposes, the Group is organized into business units based on its products and services and has two reportable segments, as follows:

- The real estate development segment, which is engaged in the real estate business.
- Investment pertain to the activities of the Parent Company as a holding entity.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating income or loss in the consolidated financial statements. The Group's identified operating segments, which are consistent with the segments reported to the BOD, which is the Group's Chief Operating Decision Maker.

The following tables regarding business segments present assets and liabilities, revenue and profit information for each of the three years in the period ended December 31, 2016.

### December 31, 2016

	Real Estate Development	Investment	Total	Eliminations	Consolidated
<b>Segment results</b>					
Income (loss) before income tax	₱39,875,829	(₱12,737,841)	₱27,137,988	₱-	₱27,137,988
Provision for income tax	1,373,128	-	1,333,128	-	1,333,128
Net income (loss)	<b>₱38,502,701</b>	<b>(₱12,737,841)</b>	<b>₱25,764,860</b>	<b>₱-</b>	<b>₱25,764,860</b>
<b>Assets</b>					
Segment assets	₱1,514,422,595	₱1,486,419,796	₱3,000,842,390	(₱1,235,877,150)	₱1,764,965,240
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	<b>₱1,514,422,595</b>	<b>₱1,808,717,796</b>	<b>₱3,323,140,390</b>	<b>(₱1,558,175,150)</b>	<b>₱1,764,965,240</b>
<b>Other segment information</b>					
Segment liabilities	₱1,350,217,365	₱4,087,463	₱1,354,304,828	(₱1,235,877,150)	₱118,427,678
Depreciation and amortization	₱2,664,760	₱20,515	₱2,685,275	₱-	₱2,685,275



December 31, 2015

	Real Estate Development	Investment	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	P273,527	(P20,370,219)	(P20,096,692)	P-	(P20,096,692)
Provision for income tax	1,213,840	-	1,213,840	-	1,213,840
Net loss	(P940,313)	(P20,370,219)	(P21,310,532)	P-	(P21,310,532)
Assets					
Segment assets	P1,512,541,637	P1,490,719,084	P3,003,260,721	(P1,234,526,298)	P1,768,734,423
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	P1,512,541,637	P1,813,017,084	P3,325,558,721	(P1,556,824,298)	P1,768,734,423
Other segment information					
Segment liabilities	P1,386,928,338	P3,870,252	P1,390,798,590	(P1,234,526,298)	P156,272,292
Depreciation and amortization	P2,331,976	P12,899	P2,344,875	P-	P2,344,875

December 31, 2014

	Real Estate Development	Investment	Total	Eliminations	Consolidated
Segment results					
Income (loss) before income tax	(P52,498,670)	P17,167,855	(P35,330,815)	P-	(P35,330,815)
Provision for income tax	372,141	2,483,902	2,856,043	-	2,856,043
Net income (loss)	(P52,870,811)	P14,683,953	(P38,186,858)	P-	(P38,186,858)
Assets					
Segment assets	P1,659,013,832	P1,511,219,814	P3,170,233,646	(P1,210,752,029)	P1,959,481,617
Investments	-	322,298,000	322,298,000	(322,298,000)	-
	P1,659,013,832	P1,833,517,814	P3,492,531,646	(P1,533,050,029)	P1,959,481,617
Other segment information					
Segment liabilities	P1,532,307,228	P8,552,903	P1,540,860,131	(P1,210,752,029)	P330,108,102
Depreciation and amortization	P2,648,540	P33,152	P2,681,692	P-	P2,681,692

## 22. Registration with the BOI

As disclosed in Note 1, SOC Land's current project is the Anuva Residences. The Project has been divided into two development phases with Phase 1 comprising of Tandem Buildings 1 and 2 and Phase 2 comprising of the other two buildings.

On September 2, 2011, Phase 1 project was duly registered with the BOI as a New Developer of Low- Cost Mass Housing on a Non-pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226). With the registration, SOC Land is entitled to an ITH for three years from October 2011 or actual start of commercial operations or selling, whichever is earlier, but in no case earlier than the date of registration. Under the specific terms and conditions of the registration, SOC Land shall submit proof of compliance that it has developed socialized housing project and accomplished corporate social responsibility activities that were duly identified by BOI in conjunction with the entitlement of ITH. The compliance with the socialized housing requirement shall be completed within the ITH entitlement period of SOC Land.

On August 14, 2014, the Subsidiary has opted to surrender the original copy of the Certificate of Registration no. 2011-193 issued to the Subsidiary as New Developer of Low-Cost Mass Housing Project which will cancel the Subsidiary's entitlement to an ITH for three years.



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## 23. Contracts and Commitments

The Group has the following significant commitments and agreements:

### Construction Agreements and Purchase Commitments

The Group entered into various construction-related contracts for the Anala and Althea Project. These contracts pertain to construction management, general construction works, exterior wall construction works, land development works, mechanical works and electrical and auxiliary works. The contracts for the Anala Project commenced on various dates in 2011 and 2012, with terms ranging from 3 weeks to 2 years. These contracts expired on various dates in 2012 until May 2015, the anticipated turnover date of Anala. The contracts relating to the Althea Project ranges from 120 to 180 days.

These agreements require down payment of 15% to 20% of the contract price while the balance will be settled through progress billings. The agreements also include a provision whereby the Group shall deduct 10% retention from every progress payment until full completion of the project work. Retention payable related to these contracts amounted to ₱7.3 million and ₱7.9 million as of December 31, 2016 and 2015, respectively (see Note 11). These are expected to be settled in 2017.

### Lease Agreements

- a. In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of 12 months. In line with the contract, the Parent Company paid a security deposit amounting ₱79,632, which is classified under "Prepayments and other current assets" (see Note 6). Minimum lease payments within a year under this contract is ₱0.2 million.
- b. On January 1, 2016, the Subsidiary entered into a lease contract with E. Zobel, Inc. for the lease of office space at 2/F Enzo Building, 399 Sen. Gil Puyat Avenue, Makati City. The contract is for the period January 1, 2016 to December 31, 2016. The lease agreement is renewable on a yearly basis. The Subsidiary renewed the lease for another year.

The Group paid security deposit amounting to ₱0.3 million to answer for any and all damages to the leased premises and as security for the return of the leased premises in proper condition. Minimum lease payments within one year amounted to ₱2.3 million.

The Group also entered into a lease contract with a third party contractor to provide service vehicle to Company officers. The contract is renewable every six months. Minimum lease payments within one year amounted to ₱0.7 million.

The related rent expense recognized by the Group amounted to ₱2.5 million, ₱3.4 million and ₱2.8 million in 2016, 2015 and 2014, respectively (see Notes 12 and 13).



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
SOCResources, Inc.  
4<sup>th</sup> Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City 1200

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SOCResources, Inc. and Subsidiary as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated April 4, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

**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 4, 2017



**SOCRESOURCES, INC. AND SUBSIDIARY**  
**INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**

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Schedule I:	Supplementary Schedule of All the Effective Standards and Interpretations (Part 1, 4J)
Schedule II:	Supplementary Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C, Annex 68-C)



**SOCRESOURCES, INC. AND SUBSIDIARY**
**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2016**

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*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	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
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	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			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		

\*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-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

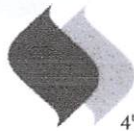


**SOCRESOURCES, INC. AND SUBSIDIARY****SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND  
DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Unappropriated retained earnings, beginning		<b>₱362,306,250</b>
Add (less) adjustments:		
Non-actual/ unrealized loss (net of tax) from previous periods	21,310,532	
Treasury shares	(4,961,650)	16,348,882
Unappropriated retained earnings, as adjusted to available for dividend declaration, beginning		378,655,132
Net income during the period closed to retained earnings	25,764,860	
Less: Non-actual/unrealized income net of tax	—	
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	—	
Unrealized actuarial gain	96,525	
Fair value adjustment (mark-to-market gains)	13,712,536	
Fair value adjustment of investment property resulting to gain	—	
Deferred tax asset that reduced the amount of income tax expense	—	
Adjustment due to deviation from PFRS/GAAP-gain	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—	
Subtotal	13,809,061	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP - loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Subtotal	—	
Net income actual/realized during the year		39,573,921
Add (less):		
Dividends declaration during the period	—	
Appropriations of retained earnings during the period	(745,000,000)	
Reversals of appropriations	500,000,000	
Effects of prior period adjustments	—	
Treasury shares	—	
		245,000,000
<b>TOTAL RETAINED EARNINGS, AS ADJUSTED TO AVAILABLE FOR DIVIDEND DECLARATION, END</b>		<b>₱173,229,053</b>







# SOCResources, Inc.

4<sup>th</sup> Flr. ENZO Building 399 Senator Gil Puyat Avenue, Makati City  
Metro Manila, Philippines 1200

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SOCResources, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 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 financial statements that are free from material misstatement, whether due to fraud or error.

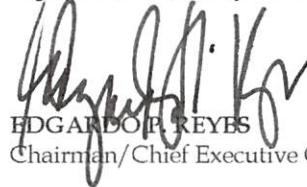
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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

SYCIP GORRES VELAYO & CO., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippines Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

  
**EDGARDO P. REYES**  
Chairman/Chief Executive Officer

  
**BELEN R. CASTRO**  
Vice President/Treasurer

  
**WILFRIDO P. REYES**  
President

  
**ZOSIMO L. PADRO, JR.**  
Vice President - Finance



**17 APR 2017**

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of \_\_\_\_ 2017 affiants exhibiting to me their valid government issued identification as follows:

Name	Type	No.	Date of Issue	Place of Issue	Expiry
Edgardo P. Reyes	Passport	EB7987031	Apr 26, 2013	DFA, Manila	Apr 25, 2018
Wilfrido P. Reyes	Passport	EB8746273	Jul 23, 2013	DFA, Manila	Jul 22, 2018
Belen R. Castro	Passport	EB0366990	May 21, 2014	DFA, Manila	May 20, 2019
Zosimo L. Padro, Jr.	IBP	36869	N/A	Manila	N/A

Doc. No.: 271  
Page No.: JE  
Book No.: 18  
Series of 2017.

**ATTY. VIRGILIO R. BATALLA**  
NOTARY PUBLIC FOR MAKATI CITY

APPT. NO. M-88

UNTIL DEC. 31, 2018

ROLL OF ATTORNEYS

MCLE COMPLIANCE NO. IV-0016333-4/10/13

I.B.P O.R No. 706762, LIFETIME MEMBER JAN 29, 2008

PTS No. 550-90-82 JAN. 3, 2017

EXECUTIVE BLDG. CENTER

MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Telephone No. 804-1978 \* Telefax No. 804-1977

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY  
STAMPED "RECEIVED."

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S O 9 2 0 6 4 4 1

## COMPANY NAME

S O C R E S O U R C E S , I N C .

## PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province )

4 t h F l o o r E n z o B u i l d i n g ,  
3 9 9 S e n a t o r G i l P u y a t A v e n u e ,  
M a k a t i C i t y 1 2 0 0

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

www.southchinaresourcesinc.  
com.ph

Company's Telephone Number

804-1978

Mobile Number

N/A

No. of Stockholders

364

Annual Meeting (Month / Day)

05/26

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ronna C. De Leon

Email Address

ronnadeleon.soc  
@gmail.com

Telephone Number/s

804-1977

Mobile Number

0917-536-4732

## CONTACT PERSON'S ADDRESS

4th Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SOCResources, Inc.  
4<sup>th</sup> Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City, 1200

### Report on the Audit of the Parent Company Financial Statements

#### Opinion

We have audited the parent company financial statements of SOCResources, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits 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 Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company 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.

#### Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

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



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

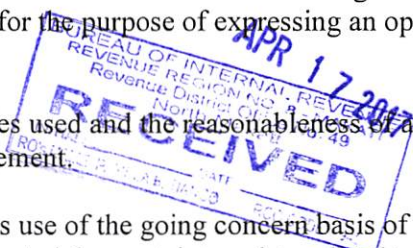
### **Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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





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

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010**

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 18 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SOCResources, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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 4, 2017



**SOCRESOURCES, INC.**
**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱201,039,749	₱212,608,304
Receivables (Note 5)	4,109,747	6,586,889
Due from related parties (Note 13)	1,236,056,186	1,234,692,751
Prepayments and other current assets (Note 6)	4,293,778	4,057,001
<b>Total Current Assets</b>	<b>1,445,499,460</b>	<b>1,457,944,945</b>
<b>Noncurrent Assets</b>		
Available-for-sale (AFS) financial assets (Note 7)	40,860,708	32,745,902
Investment in a subsidiary (Note 8)	322,298,000	322,298,000
Property and equipment (Note 9)	59,628	28,237
<b>Total Noncurrent Assets</b>	<b>363,218,336</b>	<b>355,072,139</b>
<b>TOTAL ASSETS</b>	<b>₱1,808,717,796</b>	<b>₱1,813,017,084</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other liabilities (Note 10)	₱484,545	₱484,840
<b>Noncurrent Liabilities</b>		
Retirement benefit obligation (Note 11)	3,602,918	3,286,173
Deferred income tax liabilities - net (Note 12)	—	99,239
<b>Total Noncurrent Liabilities</b>	<b>3,602,918</b>	<b>3,385,412</b>
<b>Total Liabilities</b>	<b>4,087,463</b>	<b>3,870,252</b>
<b>Equity (Note 14)</b>		
Common stock - ₱1 par value		
Authorized - 1,000,000,000 shares		
Issued - 600,559,569 shares in 2016 and 2015	600,559,569	600,559,569
Subscribed - 306,000,000 shares in 2016 and 2015 (net of subscription receivable of ₱229,500,000 in 2016 and 2015)	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings:		
Appropriated	745,000,000	500,000,000
Unappropriated	301,328,972	559,066,813
Other comprehensive income:		
Unrealized valuation gains on AFS financial assets (Note 7)	13,712,536	5,597,730
Actuarial gain on defined benefit plan (Note 11)	218,766	112,230
Treasury stock (Note 14)	(4,961,650)	(4,961,650)
<b>Equity</b>	<b>1,804,630,333</b>	<b>1,809,146,832</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱1,808,717,796</b>	<b>₱1,813,017,084</b>

See accompanying Notes to Parent Company Financial Statements.



**SOCRESOURCES, INC.****PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Years Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>REVENUE</b>		
Interest income (Note 4)	₱2,582,569	₱2,079,453
Dividend income (Note 7)	343,869	273,350
Foreign exchange gains - net	328,198	287,439
	<b>3,254,636</b>	<b>2,640,242</b>
<b>COSTS AND EXPENSES</b>		
Travel and transportation	(4,898,758)	(2,893,931)
Personnel costs	(3,652,728)	(3,666,880)
Research and development expenses	(2,894,414)	(4,033,140)
Professional fees	(2,402,513)	(1,749,533)
Taxes and licenses	(285,253)	(1,261,645)
Trainings and seminars	(281,850)	(178,463)
Telecommunications and postage	(217,338)	(201,673)
Rent and utilities (Note 15)	(196,272)	(170,604)
Repairs and maintenance	(135,176)	(39,970)
Supplies	(127,501)	(152,029)
Dues and subscription	(110,500)	(94,450)
Depreciation (Note 9)	(20,515)	(12,899)
Provision for impairment loss on AFS financial assets (Note 7)	—	(7,835,749)
Others	(769,659)	(719,495)
	<b>(15,992,477)</b>	<b>(23,010,461)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(12,737,841)</b>	<b>(20,370,219)</b>
<b>PROVISION FOR INCOME TAX (Note 12)</b>	<b>—</b>	<b>—</b>
<b>NET LOSS</b>	<b>(12,737,841)</b>	<b>(20,370,219)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Unrealized valuation gains on AFS financial assets (Note 7)	8,114,806	4,268,083
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial gain on defined benefit plan (Note 11)	7,297	330,796
Income tax effect	99,239	(99,239)
	<b>8,221,342</b>	<b>4,499,640</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(₱4,516,499)</b>	<b>(₱15,870,579)</b>
<b>Basic/Diluted Loss Per Share (Note 17)</b>	<b>(₱0.0141)</b>	<b>(₱0.0225)</b>

See accompanying Notes to Parent Company Financial Statements.





**SOCRESOURCES, INC.**
**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Common Stock (Note 14)		Additional Paid-in Capital	Retained Earnings (Note 14)		Other Comprehensive Income (Loss)		Treasury Stock (Note 14)	Total
	Issued	Subscribed		Appropriated	Unappropriated	Unrealized Valuation Gains on AFS Financial Assets - net (Note 7)	Actuarial Gain (Loss) on Defined Benefit Plan (Note 11)		
BALANCES AT DECEMBER 31, 2014	₱600,489,569	₱76,517,500	₱72,272,140	₱500,000,000	₱579,437,032	₱1,329,647	(₱119,327)	(₱4,961,650)	₱1,824,964,911
Net loss	—	—	—	—	(20,370,219)	—	—	—	(20,370,219)
Other comprehensive income	—	—	—	—	—	4,268,083	231,557	—	4,499,640
Total comprehensive loss	—	—	—	—	(20,370,219)	4,268,083	231,557	—	(15,870,579)
Issuance of common stocks	70,000	(70,000)	—	—	—	—	—	—	—
Collection of subscription receivable	—	52,500	—	—	—	—	—	—	52,500
BALANCES AT DECEMBER 31, 2015	600,559,569	76,500,000	72,272,140	500,000,000	559,066,813	5,597,730	112,230	(4,961,650)	1,809,146,832
Net loss	—	—	—	—	(12,737,841)	—	—	—	(12,737,841)
Other comprehensive income	—	—	—	—	—	8,114,806	106,536	—	8,221,342
Total comprehensive loss	—	—	—	—	(12,737,841)	8,114,806	106,536	—	(4,516,499)
Appropriations for subsidiary's project	—	—	—	600,000,000	(600,000,000)	—	—	—	—
Appropriations for agricultural project	—	—	—	145,000,000	(145,000,000)	—	—	—	—
Reversal of prior appropriations	—	—	—	(500,000,000)	500,000,000	—	—	—	—
BALANCES AT DECEMBER 31, 2016	₱600,559,569	₱76,500,000	₱72,272,140	₱745,000,000	₱301,328,972	₱13,172,536	₱218,766	(₱4,961,650)	₱1,804,630,333

See accompanying Notes to Parent Company Financial Statements.



**SOCRESOURCES, INC.****PARENT COMPANY STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(P12,737,841)	(P20,370,219)
Adjustments for:		
Depreciation and amortization (Note 9)	20,515	12,899
Interest income (Note 4)	(2,582,569)	(2,079,453)
Unrealized foreign exchange gain	(328,198)	(287,439)
Dividend income (Note 7)	(343,869)	(273,350)
Provision for impairment loss on AFS financial assets (Note 7)	—	7,835,749
Retirement benefit expense (Note 11)	324,042	363,119
Operating loss before working capital changes	(15,647,920)	(14,798,694)
Changes in:		
Receivables	2,498,374	(1,953,101)
Prepayments and other current assets	(236,777)	(272,686)
Accounts payable and other liabilities	(295)	(4,814,213)
Cash used in operations	(13,386,618)	(21,838,694)
Interest received	2,561,337	1,912,511
Net cash flows used in operating activities	(10,825,281)	(19,926,183)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (Note 7)	343,869	273,350
Advances to related party (Note 13)	(1,363,435)	(23,790,322)
Acquisition of property and equipment	(51,906)	(20,837)
Net cash flows used in investing activities	(1,071,472)	(23,537,809)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from collection of subscription receivable (Note 14)	—	52,500
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	328,198	287,439
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(11,568,555)</b>	<b>(43,124,053)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>212,608,304</b>	<b>255,732,357</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P201,039,749</b>	<b>P212,608,304</b>

See accompanying Notes to Parent Company Financial Statements.



## **SOCRESOURCES, INC.**

### **NOTES TO PARENT COMPANY FINANCIAL STATEMENTS**

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#### **1. Corporate Information and Approval of the Parent Company Financial Statements**

##### Corporate Information

SOCResources, Inc. [formerly South China Resources, Inc. (the Parent Company)] was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 25, 1992, primarily to undertake oil and gas exploration, development and production. The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

In October 2003, the SEC approved the amendment of the Parent Company's articles of incorporation, particularly the change in its primary purpose of business. The Parent Company is now registered primarily to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, in particular shares of stocks, voting trust certificates, bonds, debentures, notes, evidences of indebtedness of associations and corporations, domestic or foreign, without being a stockbroker or dealer, and to issue in exchange therefore shares of the capital stock, bonds, notes, or other obligations and/or assets of the Parent Company and while the owner thereof, to exercise all the rights, powers, and privileges of ownership, including the right to vote any shares of stock or voting trust certificates so owned, and to do every act and thing that may generally be performed by entities known as "holding companies". The former primary purpose of oil and gas exploration was reclassified as among the secondary purposes of the Parent Company.

On April 25, 2014, the Board of Directors (BOD) approved the amendment in the articles of incorporation to change the name of the Parent Company from South China Resources, Inc. to SOCResources, Inc. The change was approved by the Philippine SEC on September 4, 2014.

SOC Land Development Corporation (SOC Land; the Subsidiary) was incorporated in the Philippines and registered with the SEC on November 25, 2010 (see Note 8).

The registered office address of the Parent Company is 4th floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City 1200.

##### Approval of the Parent Company Financial Statements

The parent company financial statements as at December 31, 2016 and 2015 and for the years then ended were approved and authorized for issue by the BOD on April 4, 2017.

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#### **2. Summary of Significant Accounting Policies**

##### Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis except for AFS financial assets that have been measured at fair value. The parent company financial statements are presented in Philippine peso (₱), which is the Parent Company's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.

##### Statement of Compliance

The Parent Company's separate financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRS, for the same financial year as the parent company financial statements. These are filed and may be obtained from the Philippine SEC and PSE.





#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the first time amendments, which are effective for annual periods beginning on or after January 1, 2016. Except as otherwise indicated, the adoption of these amendments did not have any significant impact on the parent company financial statements.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

#### New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2016

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of these standards and interpretations are not expected to have significant impact on the parent company financial statements.

##### *Effective January 1, 2017*

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

##### *Effective January 1, 2018*

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
- PFRS 9, *Financial Instruments*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*



*Effective January 1, 2019*

- PFRS 16, *Leases*

*Deferred effectivity*

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

#### Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placements and that are subject to an insignificant risk of change in value.

#### Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to the Parent Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company 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 markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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



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

#### Financial Instruments

##### *Date of Recognition*

Financial instruments are recognized in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. The Parent Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### *Initial Recognition of Financial Instruments*

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). Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs.

##### *"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 from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the amount of "Day 1" difference.

##### *Classification of Financial Instruments*

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 reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are further classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities.

The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Parent Company has no financial assets or liabilities at FVPL and HTM investments as of December 31, 2016 and 2015.



### *Loans and Receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are integral part of the effective interest and transaction costs. Gains and losses are recognized in profit or loss when the 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.

The Parent Company's loans and receivables consist of cash and cash equivalents, receivables, security deposit presented under prepayments and other current assets and due from related parties.

### *AFS Financial Assets*

AFS financial assets include equity investments classified as AFS are those which are neither classified as held for trading nor designated at FVPL. Debt securities under this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income until the investment is derecognized, at which time the cumulative gain or loss is transferred to other income (expenses), or determined to be impaired, at which time the cumulative loss is recognized in profit or loss. Interest earned while holding AFS financial assets is reported as interest income using effective interest method.

The Parent Company evaluates its AFS financial assets whether the ability and intention to sell them in the near term is appropriate. When the Parent Company is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Parent Company may elect to reclassify these financial assets.

Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intent to hold the financial asset accordingly until maturity.

For a financial asset reclassified out of the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using effective interest method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to profit or loss.

### *Other Financial Liabilities*

Other financial liabilities pertain to issued financial instruments or their components that are not classified or designated at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.



The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

This category includes loans and borrowings which are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Parent Company's other financial liabilities consist of accounts payable and other liabilities as of December 31, 2016 and 2015.

#### Impairment of Financial Assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in profit or loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial Assets Carried at Amortized Cost*

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The present value of estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, 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.



#### *AFS Financial Assets Carried at Fair Value*

In the case of equity investments, evidence of impairment would include a significant or prolonged decline in fair value of investments below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original 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 that financial asset previously recognized, is removed from equity and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at fair value. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company 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 Parent Company 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 Parent Company and all of the counterparties.

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

A financial asset (or, when 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 Parent Company 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 Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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



### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

### Prepayments and Other Current Assets

#### *Prepayments*

Prepayments are carried at cost and are amortized on a straight-line basis over the period of expected usage, which is equal to or less than 12 months.

#### *Input Value-added Tax (VAT)*

Input VAT represents VAT imposed on the Parent Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. The input VAT is recognized as an asset and will be used to offset against the Parent Company's current output VAT liabilities and any excess will be claimed as tax credits. Any excess which will be claimed as tax credits within twelve (12) months or within the normal operating cycle is presented as part of "Prepayments and other current assets" in the parent company statement of financial position. Otherwise, these are classified as other noncurrent assets. Input VAT is stated at its estimated net realizable value.

### Property and Equipment

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

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.. Such cost includes the cost of replacing part of such equipment when the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When assets are retired or otherwise disposed of, both the cost and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is directly credited to or charged against current operations.

Depreciation commences when an asset is in the location and condition capable of being operated in the manner intended by management. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Number of Years</u>
Transportation equipment	5
Office furniture and equipment	5

Leasehold improvements which are amortized on a straight-line basis over the term of the lease or the estimated lives of the improvements, whichever is shorter,



Depreciation ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date that the asset is derecognized.

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized. Fully depreciated items are retained as property and equipment until these are no longer in use.

#### Investment in a Subsidiary

Investment in a subsidiary is accounted for at cost less any impairment in value. A subsidiary is an entity which the Company controls. A company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All dividends received are reflected as income in the statement of comprehensive income.

The Company recognized income from its investment in subsidiary when its right to receive dividends is established. As of December 31, 2016 and 2015, the Company's investment in subsidiary pertains to its investment in SOC Land Development Corporation (SOC Land), a company incorporated and domiciled in the Philippines.

#### Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.





### Retirement Benefits

The Parent Company recognizes the net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

Net interest on the net defined benefit liability or asset is recognized as an expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the parent company statement of financial position with a corresponding debit or credit to retained earnings through profit or loss in the period in which they occur. Re-measurements are not reclassified to the parent company statement in comprehensive loss in subsequent periods.

### Common Stock

The Parent Company has issued common stocks that are classified as equity. Common stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. Direct costs incurred related to equity issuance are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Subscription receivable pertains to the uncollected portion of the subscribed shares.

### Retained Earnings

The amount included in retained earnings includes profit attributable to the Parent Company's stockholders and reduced by dividends. Dividends are recognized as a liability and deducted from equity when they are approved by the Parent Company's BOD. Interim dividends are deducted from equity when they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.



### Treasury Stock

Own equity instruments which are reacquired (treasury stock) are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference in the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury stock are nullified for the Parent Company and no dividends are allocated to them respectively. When the stocks are retired, the common stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-up capital when the shares were issued and to retained earnings for the remaining balance.

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific revenue recognition criteria should also be met before revenue is recognized.

### *Interest Income*

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Effective interest is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

### *Dividend Income*

Dividend income is recognized when the Parent Company's right to receive the payment is established, usually upon declaration of the dividends.

### *Gain on Sale of AFS Financial Assets*

Realized gain or loss on sale of AFS financial assets is recognized in profit or loss when the Parent Company disposes its AFS financial assets.

### Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses incurred in the general administration of day-to-day operation of the Parent Company are generally recognized when the service is used or the expense arises.

### Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recoverable from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" account in the parent company statement of financial position. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Prepayments and other current assets" account in the parent company statement of financial position.



### *Deferred Income Tax*

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in OCI and not in profit or loss.

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

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

### Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the foreign exchange rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in profit or loss.

### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of 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 that 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 a 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 the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Parent Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

#### Provisions

Provisions are recognized when the Parent Company 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### Contingencies

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

#### Events After the Reporting Date

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The parent company financial statements prepared in accordance with PFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the parent company financial statements and related notes. The judgments, estimates and assumptions used in the parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Actual results could differ from such estimates.

#### Judgment

##### *Classification of Financial Instruments*

The Parent Company exercises judgment in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the parent company statement of financial position.



In addition, the Parent Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

#### Estimates and Assumptions

##### *Valuation of Financial Instruments*

PFRS requires certain financial assets and liabilities to be carried at fair value, which requires extensive use of accounting estimates. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies. Any changes in fair value of these financial assets would affect profit and loss and equity. The fair value of the Parent Company's financial assets and liabilities are disclosed in Note 16.

##### *Impairment Losses on Receivables, Security Deposit and Due from Related Parties*

The Parent Company reviews the balance of receivables, security deposit and due from related parties at each reporting date to assess whether impairment losses should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Parent Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Parent Company's assessment of the accounts since their inception.

There was no allowance for impairment losses on receivables, security deposit and due from related parties as of December 31, 2016 and 2015. The aggregate carrying amount of receivables, security deposit and due from related parties amounted to ₱1,240.2 million and ₱1,241.4 million as of December 31, 2016 and 2015, respectively (see Note 13).

##### *Impairment of AFS financial assets*

The Parent Company treats AFS financial assets as impaired when there has been significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or when is 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more of the cost of AFS and 'prolonged' if greater than six months. In addition, the Parent Company evaluates other factors, including normal and/or unusual volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. The Parent Company also considers the ability of the investee to provide dividends.

The Parent Company recognized provision for impairment loss on AFS financial assets amounted to ₱7.8 million in 2015 (nil in 2016) (see Note 7).

The carrying amounts of AFS financial assets amounted to ₱40.9 million and ₱32.7 million as of December 31, 2016 and 2015, respectively (see Note 7). The change in the fair value of the AFS financial assets is recorded as "Unrealized valuation gains on AFS financial assets" account in the equity section of the parent company statements of financial position. As of December 31, 2016 and 2015, the unrealized valuation gain on AFS financial assets amounted to ₱13.7 million and ₱5.6 million, respectively (see Note 7).



*Impairment of Property and Equipment, Investment in a Subsidiary, Input Tax and Prepayments*

The Parent Company assesses impairment on property and equipment, investment in a subsidiary, input tax and prepayments whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

No provision for impairment losses was recognized in 2016 and 2015. The aggregate amount of property and equipment, investment in a subsidiary, input tax and prepayments amounted to ₱326.5 million and ₱326.3 million as of December 31, 2016 and 2015, respectively.

*Recognition of Deferred Income Tax Assets*

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and carryforward benefits of unused MCIT and unused NOLCO can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred income tax assets have been recognized on deductible temporary differences and carryforward benefits of unused NOLCO (see Note 12).

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#### 4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	₱46,621,892	₱60,842,473
Cash equivalents	154,417,857	151,765,831
	₱201,039,749	₱212,608,304

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at the respective short-term investment rates. Interest income earned amounted to ₱2.6 million and ₱2.1 million in 2016 and 2015, respectively. Outstanding accrued interest receivable related to the short-term investments amounted to ₱0.02 million and ₱0.2 million as of December 31, 2016 and 2015, respectively (see Note 5).



## 5. Receivables

	2016	2015
Receivable from officers and employees	₱4,000,000	₱6,329,563
Accrued interest (Note 4)	21,232	166,942
Others	88,515	90,384
	<b>₱4,109,747</b>	<b>₱6,586,889</b>

Receivables from officers and employees pertain to advances which are settled through liquidation. These receivables will be settled within the next financial year.

Other receivables as of December 31, 2016 and 2015 include receivable from cash dividends declared by domestic shares. This is expected to be collected within the next financial year.

No impairment loss on receivables was recognized in 2016 and 2015.

## 6. Prepayments and Other Current Assets

	2016	2015
Prepayments	₱3,438,711	₱3,449,120
Input VAT	737,417	483,219
Security deposit (Notes 15 and 16)	79,632	72,072
Supplies	33,243	45,809
Others	4,775	6,781
	<b>₱4,293,778</b>	<b>₱4,057,001</b>

Prepayments consists of prepaid taxes and insurance.

Input VAT can be applied against output VAT.

## 7. AFS Financial Assets

	2016	2015
Shares of stock	₱20,200,708	₱15,645,902
Golf club shares	20,660,000	17,100,000
	<b>₱40,860,708</b>	<b>₱32,745,902</b>

The Parent Company's AFS financial assets pertain to investments in shares of stock of various publicly-listed companies and golf club shares.

The fair values of the shares of stock are based on the quoted market price that is readily and regularly available in the Philippine Stock Exchange. The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

The fair value of quoted club share is determined by reference to published price quotation. The price is indicative of actual and regularly occurring market transactions on an arm's length basis.



The rollforward of net changes in fair value of AFS financial assets during the years ended December 31 are as follows:

	2016	2015
Balances at beginning of year	₱5,597,730	₱1,329,647
Fair value adjustments (net of impairment loss amounting to nil in 2016 and ₱7.8 million in 2015)	8,114,806	4,268,083
Balances at end of year	₱13,712,536	₱5,597,730

Dividend income earned from equity securities classified as “AFS financial assets” amounted to ₱0.34 million and ₱0.27 million in 2016 and 2015, respectively.

## 8. Investment in a Subsidiary

The Parent Company’s investment in a subsidiary pertains to its 100% equity interest in SOC Land (see Note 1). In November 2010, the Parent Company subscribed to and paid for 40,000,000 and 10,000,000 shares in SOC Land, respectively. The total cost of the investment amounted to ₱10.0 million.

SOC Land was incorporated in the Philippines and registered with the Philippine SEC on November 25, 2010. The primary purpose of SOC Land is to deal and engage in real estate business.

On July 28, 2010, the Parent Company purchased 24,023 square meters parcel of land located at East Service Road of South Superhighway, Barangay Buli, Muntinlupa City at a price of ₱321.0 million. As of December 31, 2010, the Parent Company classified the land under “Investment property” in the parent company statement of financial position at cost of ₱321.0 million which approximates its fair value. On March 4, 2011, the Parent Company transferred this investment property with fair value of ₱312.3 million, in exchange for 312,298 additional shares in SOC Land.

The registered office address of SOC Land is 2<sup>nd</sup> Floor Enzo Building, 399 Senator Gil Puyat Avenue, Makati City.

## 9. Property and Equipment

December 31, 2016

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balances at beginning of year	₱13,020,964	₱1,756,425	₱458,886	₱15,236,275
Additions	–	51,906	–	51,906
Balances at end of year	13,020,964	1,808,331	458,886	15,288,181
<b>Accumulated depreciation and amortization</b>				
Balances at beginning of year	13,020,964	1,728,188	458,886	15,208,038
Depreciation and amortization	–	20,515	–	20,515
Balances at end of year	13,020,964	1,748,703	458,886	15,228,553
<b>Net book values</b>	<b>₱–</b>	<b>₱59,628</b>	<b>₱–</b>	<b>₱59,628</b>





December 31, 2015

	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Total
<b>Cost</b>				
Balances at beginning of year	₱13,020,964	₱1,735,588	₱458,886	₱15,215,438
Additions	—	20,837	—	20,837
Balances at end of year	13,020,964	1,756,425	458,886	15,236,275
<b>Accumulated depreciation and amortization</b>				
Balances at beginning of year	13,020,964	1,715,289	458,886	15,195,139
Depreciation and amortization	—	12,899	—	12,899
Balances at end of year	13,020,964	1,728,188	458,886	15,208,038
<b>Net book values</b>	<b>₱—</b>	<b>₱28,237</b>	<b>₱—</b>	<b>₱28,237</b>

*Fully depreciated property and equipment*

As of December 31, 2016 and 2015, the cost of fully depreciated property and equipment amounted to ₱13.5 million. These are retained in the records and still used by the Parent Company until these are disposed.

#### 10. Accounts Payable and Other Liabilities

	2016	2015
Accrued expenses	₱408,114	₱338,216
Accounts payable	57,119	125,207
Government payables	19,312	21,417
	<b>₱484,545</b>	<b>₱484,840</b>

Accrued expenses are expected to be settled within the next financial year.

Accounts payable are noninterest-bearing with payment terms which are dependent on the suppliers' or contractors' credit terms, which is generally 30 to 60 days terms.

Government payables consist of mandatory contributions and payments to the Social Security System, Philippine Health Insurance Corporation, and the Home Development Mutual Fund and withholding tax payables which have an average term of 15 to 30 days.

#### 11. Retirement Benefit Obligation

The Parent Company has an unfunded, noncontributory defined benefit retirement plan which covers all of its regular employees. RA No. 7641 ("Retirement Pay Law"), an act amending article 287 of Presidential Decree No. 442 ("Labor Code of the Philippines"), requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The latest actuarial valuation report is as at December 31, 2016.



The following tables summarize the components of retirement benefit expense recognized in the statements of income and the funded status and amounts recognized in the balance sheets for the respective plans:

	2016	2015
Current service cost	₱169,263	₱181,229
Interest cost	154,779	181,890
	<b>₱324,042</b>	<b>₱363,119</b>

Amounts recognized in comprehensive income pertaining to actuarial gain amounted to a gain of ₱7,297 and ₱330,796 in 2016 and 2015, respectively.

Changes in the present value of the defined benefit obligation are as follows:

	2016	2015
Beginning defined benefit obligation	₱3,286,173	₱3,253,850
Current service cost	169,263	181,229
Interest cost	154,779	181,890
Actuarial loss (gain) due to:		
Experience adjustments	2,818	(184,992)
Changes in demographic assumptions	(146,077)	(68,486)
Changes in financial assumptions	135,962	(77,318)
Ending defined benefit obligation	<b>₱3,602,918</b>	<b>₱3,286,173</b>

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension benefit obligations for the plan are shown below:

	2016	2015
Discount rate	3.60%	4.71%
Future salary increase	3.00%	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation, assuming if all other assumptions were held constant:

December 31, 2016

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(₱100,823) 115,086
Future salary increases	100 (100)	₱114,611 (102,308)



December 31, 2015

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100 (100)	(P96,554) 111,066
Future salary increases	100 (100)	P87,205 (75,435)

Shown below is the maturity analysis of the undiscounted expected benefit payments:

Plan Year	2016	2015
Less than one year	P2,293,732	P2,095,238
More than one year to 10 years	1,683,348	1,665,003
More than 10 years to 30 years	1,917,261	2,946,668

The estimated weighted average duration of the defined benefit obligations is 6 years as at December 31, 2016.

## 12. Income Taxes

- a. The reconciliation of benefit from income tax computed at statutory income tax rate to provision for income tax follows:

	2016	2015
Benefit from income tax at statutory tax rate	(P3,821,352)	(P6,111,066)
Adjustments resulting from tax effects of:		
NOLCO for which no deferred income tax asset was recognized during the year	3,126,208	5,684,852
Nondeductible expenses	1,475,863	2,970,028
Deductible temporary difference for which no deferred income tax asset was recognized	97,213	(1,837,973)
Nontaxable income	(103,161)	(82,005)
Interest income subjected to final tax	(774,771)	(623,836)
Provision for income tax	P-	P-

- b. The Company's net deferred income tax liabilities recognized as of December 31 are as follows:

	2016	2015
Deferred income tax asset on NOLCO	P184,691	P86,232
Deferred income tax liabilities:		
Actuarial gain on defined benefit plan	-	(99,239)
Unrealized foreign exchange gain	(184,691)	(86,232)
Net deferred income tax liabilities	P-	P99,239



No deferred income tax assets were recognized for the following deductible temporary differences and carryforward benefits of unused NOLCO as of December 31 since management believes that it is not probable that sufficient future taxable profit will be available in the near future to allow the benefit of the deferred income tax assets to be utilized:

	2016	2015
Deferred income tax assets:		
NOLCO	₱29,082,758	₱18,662,066
Pension liability	3,602,918	3,286,173
Allowance for impairment loss on AFS financial assets	7,263	7,263

- c. The Company's NOLCO that can be claimed as deduction against future taxable income are as follows:

Year Incurred	Balance as of December 31, 2015	Addition	Balance as of December 31, 2016	Tax effect	Available Until
2015	₱18,949,505	₱-	₱18,949,505	₱5,684,852	2018
2016	-	10,748,890	10,748,890	3,224,667	2019
	₱-	₱10,748,890	₱29,698,395	₱8,909,519	

### 13. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, the Parent Company has the following significant related party transactions:

	Amount/volume		Outstanding balance		Terms	Conditions
	2016	2015	2016	2015		
<b>Subsidiary:</b>						
SOC Land.						
Due from related parties (a)	₱1,350,852	₱23,774,269	₱1,235,877,150	₱1,234,526,298	Due and demandable; noninterest bearing	Unsecured; No impairment
<b>Other related parties:</b>						
South China Petroleum International (SCPI)						
Advances from related parties (b)	12,583	16,053	179,036	166,453	Due and demandable	Unsecured; No impairment
<b>Total</b>	<b>₱1,363,436</b>	<b>₱23,790,322</b>	<b>₱1,236,056,186</b>	<b>₱1,234,692,751</b>		



- a. Due from related parties pertain to amounts owed by SOC Land used to finance the construction of the Anala and Althea, primarily consisting of building construction costs, consultancy fees, taxes and licenses, advertising and other business expenses.
- b. South China Petroleum International (SCPI) is a corporation established to prospect for, explore, extract, dig and drill for, exploit, produce, purchase, or otherwise obtain from the earth, any and all kinds of petroleum and petroleum products, rocks or carbon oils, natural gas and other volatile materials, chemical substance and salts, precious and base metals, diatomaceous earth as well as other minerals of whatever nature whether similar or dissimilar to those listed herein, and to manufacture, refine, prepare for market, buy, sell, import, export and transport and otherwise deal in petroleum and other minerals of whatever nature, whether similar or dissimilar thereto, their products, compounds and derivatives and other mineral and chemical substances in crude or refined condition, and to generally engage, as may be permitted by law, in the business of, and/or investing in mining, manufacturing, contracting and servicing, in addition to oil exploration. Receivable from SCPI pertains to the amount paid for SCPI's business permit and registration.
- c. Short-term employee benefits of key management personnel amounted to ₱2.4 million and ₱2.3 million in 2016 and 2015, respectively.

#### 14. Equity

##### a. Common Stock

The Parent Company's authorized, issued and outstanding common shares are as follows:

	December 31, 2016		December 31, 2015	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value	1,000,000,000	₱1,000,000,000	1,000,000,000	₱1,000,000,000
Issued	600,559,569	600,559,569	600,559,569	600,559,569
Subscribed	306,000,000	306,000,000	306,000,000	306,000,000
Treasury	4,639,000	(4,961,650)	4,639,000	(4,961,650)
Total issued and outstanding		₱901,597,919		₱901,597,919

The Parent Company was registered on September 25, 1992 with authorized capital stock amounting to ₱1.0 billion composed of one billion shares with par value ₱1.0 per share.

In 2015, 70,000 subscribed shares were fully paid and issued. Collection from such shares in 2015 amounted to ₱52,500.

##### b. Retained Earnings

On April 7, 2010, the BOD approved a resolution earmarking ₱500.0 million of the Parent Company's retained earnings for purposes of funding its investments in SOC Land related to the Anuva Residences and Diwalwal Mine Reserve projects. On December 21, 2011, the BOD approved a resolution for the reversal of the 2010 appropriation of retained earnings and further earmarking ₱500.0 million of the Parent Company's retained earnings in 2011 for purposes of funding its investments related to the Anuva Residences and other investment projects.



On December 8, 2016, the BOD approved a resolution for the reversal of the 2011 appropriation of retained earnings and further earmarking ₱600.0 million and ₱145.0 million of the Parent Company's retained earnings for purposes of funding its investments related to SOC Land's Althea and Azalea Project and the Parent Company's agricultural projects, respectively. The construction of the second tandem building of Anuva project, "Azalea" is expected to be completed on the 4th quarter of 2018.

c. Treasury Stock

On December 21, 2011, the Parent Company formalized its share repurchase program. Under the terms and conditions of the share repurchase program, 100,000,000 shares shall be repurchased from the market covering a period of twenty-four (24) months starting December 22, 2011. The total budget allocated for the share repurchase program is ₱120.0 million. The program ended last December 22, 2013 purchasing a total of 4,639,000 shares for ₱4.9 million.

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**15. Lease Agreements**

In 2012, the Parent Company entered into a renewable lease contract with Haldane Investment NV, duly represented by E. Zobel, Inc. for the lease of the 4/F Unit of Enzo Building, located at No. 399 Gil J. Puyat Avenue, Makati City. The contract is for a term of eight (8) months commencing on May 1, 2012 and expiring December 31, 2012. The lease is renewable every year for a period of twelve (12) months. In line with the contract, the Parent Company paid a security deposit amounting ₱79,632, which is classified under "Prepayment and other current assets" (see Note 6). Minimum lease payments within a year under this contract is ₱0.2 million.

Rent expense relates to these lease contracts, presented as "Rent and Utilities" in the parent company statements of comprehensive income, amounted to ₱0.2 million in 2016 and 2015.

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**16. Financial Instruments**

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, receivables, security deposit, due from related parties, AFS financial assets and accounts payable and other liabilities. The main purpose of these financial instruments is to fund the Parent Company's operations.

The BOD has overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to credit risk, liquidity risk and equity price risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks and they are summarized below.



### *Credit Risk*

Credit risk arises when a customer or counterparty fails to discharge an obligation and cause the Company to incur a financial loss.

The Parent Company is exposed to credit risk primarily because of its investing and operating activities. The Parent Company is exposed to credit risk arising from the counterparties (i.e., foreign currency denominated debt instruments, fixed income deposits and receivables) to its financial assets.

### *Credit Risk Management*

In managing credit risk on these investments, capital preservation is paramount. The Parent Company trades only with recognized, creditworthy third parties. For investment in bonds, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investment in equities securities represent investments in companies with good dividend track record, as well as capital appreciation. The investment portfolio mix between debt and equity is reviewed by management.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise of cash and cash equivalents, receivables, due from related parties and security deposits, management monitor these financial assets on an ongoing basis with the result that the Parent Company's exposure to impairment losses is not significant.

### *Credit Risk Exposures*

The maximum exposure to credit risk for financial assets, which is composed of cash and cash equivalents, receivables, AFS financial assets and security deposits, is equivalent to the carrying amount of these financial assets as carried in the parent company statements of financial position. The maximum exposure to credit risk for "Due from related parties" is equivalent to the carrying amount of these financial assets as carried in the parent company statement of financial position, which is secured by collateral.

### *Credit Risk Concentration Profile*

The Parent Company has no significant concentrations of credit risk.

### *Credit Quality of Financial Assets*

The table below shows the credit quality by class of financial asset based on the Parent Company's rating system as of December 31, 2016 and 2015:

#### December 31, 2016

	<b>Neither Past Due Nor Impaired</b>		<b>Past Due But Not Impaired</b>	<b>Total</b>
	<b>High Grade</b>	<b>Standard Grade</b>		
<b>Loans and receivables:</b>				
Cash and cash equivalents*	₱201,024,749	₱—	₱—	₱201,024,749
Receivables	29,500	—	4,080,247	4,109,747
Due from related parties	1,350,852	1,234,705,334	—	1,236,056,186
Security deposits	79,632	—	—	79,632
<b>AFS financial assets:</b>				
Shares of stock	20,200,708	—	—	20,200,708
Golf club shares	20,660,000	—	—	20,660,000
	<b>₱245,345,441</b>	<b>₱1,234,705,334</b>	<b>₱4,080,247</b>	<b>₱1,482,131,022</b>

\*Excludes cash on hand



December 31, 2015

	Neither Past Due Nor Impaired		Past Due But Not Impaired	Total
	High Grade	Standard Grade		
<b>Loans and receivables:</b>				
Cash and cash equivalents*	₱212,593,304	₱—	₱—	₱212,593,304
Receivables	2,187,165	—	4,399,724	6,586,889
Due from related parties	3,521,690	1,231,171,061	—	1,234,692,751
Security Deposits	72,072	—	—	72,072
<b>AFS financial assets:</b>				
Shares of stock	15,645,902	—	—	15,645,902
Golf club shares	17,100,000	—	—	17,100,000
	₱251,120,133	₱1,231,171,061	₱4,399,724	₱1,486,690,918

*\*Excludes cash on hand*

The credit quality of financial assets is managed by the Parent Company using high quality and standard quality as internal credit ratings.

A high grade financial assets pertain to a counterparty that is not expected by the Parent Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies. Standard grade financial assets pertain to other financial assets not belonging to high quality financial assets. Past due but not impaired financial assets are items with history of frequent default. Nevertheless, the amount due are still collectible.

Financial assets that are past due but not impaired aging 91-180 days amounted to ₱4.1 million and ₱4.4 million as of December 31, 2016 and 2015, respectively.

#### *Liquidity Risk*

Liquidity risk is the risk that the Parent Company will not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by management. The Parent Company manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.





The tables below summarize the maturity profile of the Parent Company's financial assets used for liquidity purposes based on contractual undiscounted cash flows, and the Parent Company's financial liabilities based on contractual undiscounted payments.

December 31, 2016

	Total	On Demand	Less than 3 Months	6 to 12 Months
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	P201,039,749	P201,039,749	P-	P-
Receivables	4,109,747	29,500	-	4,080,247
Due from related parties	1,236,056,186	1,236,056,186	-	-
Security deposit	79,632	79,632	-	-
AFS financial assets:				
Shares of stock	20,200,708	-	-	20,200,708
Golf club shares	20,660,000	-	-	20,660,000
	<b>1,482,146,022</b>	<b>1,437,205,067</b>	<b>-</b>	<b>44,940,955</b>
<b>Financial Liability</b>				
Other financial liability:				
Accounts payable and other liabilities**	465,233	-	465,233	-
<b>Liquidity position (gap)</b>	<b>P1,481,680,789</b>	<b>P1,437,205,067</b>	<b>(P465,233)</b>	<b>P44,940,955</b>

\*\*Excludes government payables

December 31, 2015

	Total	On Demand	Less than 3 Months	6 to 12 Months
<b>Financial Assets</b>				
Loans and receivables:				
Cash and cash equivalents	P212,608,304	P212,608,304	P-	P-
Receivables	6,586,889	2,187,165	-	4,399,724
Due from related parties	1,234,688,751	1,234,692,751	-	-
Security deposit	72,072	72,072	-	-
AFS financial assets:				
Shares of stock	15,645,902	-	-	15,645,902
Golf club shares	17,100,000	-	-	17,100,000
	<b>1,486,705,918</b>	<b>1,449,560,292</b>	<b>-</b>	<b>37,145,626</b>
<b>Financial Liability</b>				
Other financial liability:				
Accounts payable and other liabilities**	463,423	-	463,423	-
<b>Liquidity position (gap)</b>	<b>P1,486,242,495</b>	<b>P1,449,560,292</b>	<b>(P463,423)</b>	<b>P37,145,626</b>

\*\*Excludes government payables



### *Equity Price Risk*

Equity price risk is the likelihood that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stocks. The equity price risk exposure arises from the Parent Company's AFS financial assets in equity securities. For investments in Philippine equities, majority of funds are invested in equities listed in the PSE.

The Parent Company measures the sensitivity of its domestic AFS financial assets by using stock market index fluctuations and its effect to respective share prices.

In 2016 and 2015, changes in fair value of equity instruments held as AFS financial assets due to a reasonably possible change in equity interest, with all other variables held constant, will increase other comprehensive income by ₱4.1 million and ₱3.3 million, respectively, if equity prices will increase by 10%. An equal change in the opposite direction would have decreased equity by the same amount.

### *Foreign Currency Risk*

Foreign currency risk is the risk where the value of the Parent Company's financial instrument diminishes due to changes in foreign exchange rates. The Parent Company's foreign currency risk relates to its US\$-denominated cash. The Parent Company seeks to mitigate the effect of its currency exposure by matching the level of return on investment with the magnitude of foreign exchange fluctuation. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. The Parent Company currently does not enter into derivative transactions to hedge its currency exposure.

The Parent Company's significant US\$-denominated financial asset as of December 31, 2016 and 2015 pertains to cash in bank which both amounted to US\$0.1 million. Translated Peso balances of this US\$-denominated cash as of December 31, 2016 and 2015 amounted to ₱6.1 million and ₱5.8 million, respectively.

The Parent Company recognized foreign exchange gain of ₱0.33 million and ₱0.29 million for the years ended December 31, 2016 and 2015. The exchange rate of Peso to US\$ as of December 31, 2016 and 2015 used in translating the US\$-denominated financial instruments is ₱49.72 and ₱47.06, respectively.

The following table demonstrates the impact on the Parent Company's net loss before income tax of reasonably possible changes in the US\$ (all other variables held constant). There is no other impact on the Parent Company's equity other than those already affecting profit or loss as follows:

2016		2015	
Movement in US\$ rates	Effect on net loss	Movement in US\$ rates	Effect on net loss
+4%	(₱245,547)	+5%	(₱289,835)
-4%	245,547	-5%	289,835



### Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

#### *Cash and cash equivalents, receivables, security deposit, due from related parties and accounts payable and other liabilities*

The carrying amounts of cash and cash equivalents, receivables, due from related parties and accounts payable and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

#### *AFS financial assets*

Fair value of AFS financial assets is based on the quoted market bid prices at the close of business as of the reporting date.

### Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Parent Company's financial instruments carried at fair value:

#### December 31, 2016

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱20,200,708	₱—	₱—	₱20,200,708
Golf club shares	20,660,000	—	—	20,660,000
	<b>₱40,860,708</b>	<b>₱—</b>	<b>₱—</b>	<b>₱40,860,708</b>

#### December 31, 2015

	Level 1	Level 2	Level 3	Total
AFS financial assets:				
Shares of stock	₱15,645,902	₱—	₱—	₱15,645,902
Golf club shares	17,100,000	—	—	17,100,000
	<b>₱32,745,902</b>	<b>₱—</b>	<b>₱—</b>	<b>₱32,745,902</b>

As of December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and there were no transfers into and out of Level 3 fair value measurements.



### Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize stockholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2016 and 2015.

The following table pertains to the account balances which the Parent Company considers as its core economic capital:

	2016	2015
Common stock	₱600,559,569	₱600,559,569
Subscribed common stock - net of subscription receivable	76,500,000	76,500,000
Additional paid-in capital	72,272,140	72,272,140
Retained earnings	1,046,328,972	1,059,066,813
Treasury stock	(4,961,650)	(4,961,650)
	<b>₱1,790,699,031</b>	<b>₱1,803,436,872</b>

### **17. Basic/Diluted Loss Per Share**

	2016	2015
Net loss	(₱12,737,841)	(₱20,370,219)
Weighted average number of shares	906,559,569	905,645,387
Basic/Diluted Loss per Share	<b>(₱0.0141)</b>	<b>(₱0.0225)</b>

There are no dilutive potential common shares outstanding as of December 31, 2016 and 2015.

### **18. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010**

In compliance with Bureau of Internal Revenue (BIR) RR No. 15-2010 issued on November 25, 2010, hereunder are the information on taxes, duties and license fees paid or accrued by the Company in 2016:

#### Input VAT

Balance at beginning of year	₱483,219
Current year's domestic purchases for:	
Goods other than for resale or manufacture	4,311
Services lodged under other accounts	249,887
Balance at end of year	<b>₱737,417</b>

The Company has no sales subject to VAT of 12% for the year ended December 31, 2016.



Other Taxes and Licenses

In 2016, other taxes and licenses include all other taxes, local and national, including licenses and permit fees lodged under the taxes and licenses account under the costs and expenses section in the parent company statement of comprehensive income:

License and permit fees	₱279,763
Others	5,490
	<u>₱285,253</u>

Withholding Taxes

Tax on compensation and benefits	₱461,515
Expanded withholding tax	207,360
	<u>₱668,875</u>

Tax Assessment and Case

In 2016, the Parent Company paid to BIR amounting to ₱0.1 million, ₱0.01 million and ₱1.4 million for deficiency income taxes, expanded withholding taxes and documentary stamp taxes, respectively, for the taxable year 2014.



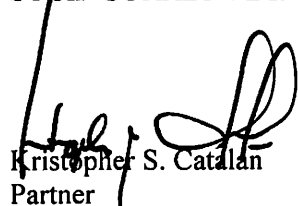
## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
SOCResources, Inc.  
4<sup>th</sup> Floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City, 1200

We have audited the accompanying financial statements of SOCResources, Inc. (the Company) as of and for the year ended December 31, 2016, on which we have rendered the attached report dated April 4, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has two stockholders owning 100 or more shares each.

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 4, 2017

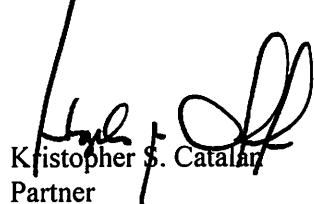


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors  
SOCResources, Inc.  
4th floor Enzo Building  
399 Senator Gil Puyat Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of SOCResources, Inc. as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated April 4, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of all the Effective Standards and Interpretations under the Philippine Financial Reporting Standards is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not a part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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 4, 2017



**SOCRESOURCES, INC.**
**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
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRS Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
<b>PFRS 2</b>	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*		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
<b>PFRS 4</b>	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*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	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			✓

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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			✓

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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'	✓		

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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			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Early Adopted	Not Applicable
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	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			✓
<b>IFRIC 15</b>	Agreements for the Construction of Real Estate			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies	✓		
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		

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Philippine Interpretations				
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

