

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-A, *AS AMENDED*

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 ..... CS201524712
3. BIR Tax Identification No. .... 009-192-878
4. Exact name of issuer as specified in its charter .....

**WILCON DEPOT, INC.**

5. Quezon City, Philippines..... 6.  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City..... 1110.....  
Address of principal office      Postal Code
8. (02) 634-8387.....  
Issuer's telephone number, including area code
9. Not Applicable .....  
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 |
|---------------------|--|
| COMMON SHARES       | 2,705,817,916  |

11. Are any or all of these securities listed on a Stock Exchange.  
Yes [ ]    No [  ]  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
\_\_\_\_\_ }  
\_\_\_\_\_ }

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 registrant was required to file such reports);

Yes  No

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

Yes  No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

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## **PART I. BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### Background

Wilcon Depot, Inc. (the Company/WDI/Wilcon Depot) was incorporated on December 17, 2015 as a subsidiary of Wilcon Corporation (WC), formerly known as Wilcon Builder's Depot Inc. (WBDI), to operate its home improvement retail businesses. It officially started operations on April 1, 2016 when the retail operations including all of the retail assets and liabilities were transferred from WC, thereby increasing WC's ownership in the Company to 99.06%.

The Company's retailing business, which it acquired and inherited from WC, has been in existence for over 38 years. The business, founded by Mr. William T. Belo, opened its first store in 1977, carrying a variety of local brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, and hardware and tools. Mr. Belo gradually expanded the pioneer Wilcon branch as business picked up. He opened three more branches with an average area of 2,400 sqm from 1989 to 1995. In 2002, the first store outside of Metro Manila was established in Davao City.

The first depot format store was opened in 2003, in Las Piñas. At 10,000 sqm, the Depot format was larger than their previous five stores, which had an average size of 4,223 sqm. Its product selection was more comprehensive and included more international brands and new product lines and categories such as furniture, furnishings and houseware, paints, and building materials, among others. Over the next 13 years, operations rapidly expanded with the opening of 27 more Depot format stores around the country.

The smaller format mall-based or community-based stores were formally organized in 2009 and operated under the brand name "Wilcon Home Essentials". This concept was adopted by a few of the old stores and subsequently applied to three more new stores from 2009 to 2013.

#### Corporate Restructuring

The following transactions occurred on April 1, 2016 in relation to the spin-off of the retail operations of WC into the Company:

- The net assets comprising the retail business were transferred to the Company. The land, intellectual property, and investment properties remained with WC, the Parent.
- The Company entered into lease agreements with its Parent for the lease of land assets used by its stores.

The spin off resulted in a 99.06% ownership of WC in the Company.



(On March 31, 2017, the Company went public through an initial public offering on the Philippine Stock Exchange. The Company floated thirty four percent (34.00%) or 1,393,906,200 of its primary shares, increasing its issued and outstanding capital stock to 4,099,724,116 and diluting WC's effective interest in the Company to 65.38%.)

**Bankruptcy, Receivership or Similar Proceedings**

The Company and its parent, WC, have not been subject to: (i) any bankruptcy, receivership or similar proceedings or (ii) any material reclassification, merger (other than as a surviving entity) consolidation of purchase or sale of significant amount of assets.

**Products / Business Lines**

The Company caters to the fast-growing segment of middle- to high-income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. The Company's complete spectrum of product offerings includes local and international brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, hardware and tools, furniture, furnishings and houseware, paints, appliances and building materials, among others.

***Product Categories***

The Company offers a broad range of products grouped into major product categories namely plumbing and sanitary hardware and tools, tiles and flooring, electrical and lighting, furniture, furnishing and houseware, paints, appliances, and building materials. As a matter of competitiveness, the Company continues to develop new products and services for its customers as seen in the launching of several in-house and exclusive products in the past.

The table below enumerates the list of major product categories and its products.

<b>Product Category</b>	<b>Description</b>
Plumbing and Sanitary wares	Over 1,100 products that include bath and shower mixers, bath fillers, faucets, shower, water systems, bath tubs, bidet, bowl, lavatory, pedestal, shower enclosure, urinal, water closet and other accessories.
Hardware and Tools Products	Products such as door essentials, hand tools and hardware accessories, pipes, sundries, power tools and hand tools are found in this category.
Tiles / Flooring	Consists of locally made tiles and tiles from different countries such as China, Indonesia, Italy and Spain. Tiles are available in different sizes and different types such as ceramic, glass block, porcelain, and vinyl.
Electrical and Lighting	Includes electrical accessories and supplies, lamps, wiring devices, LED and lights.
Furniture, Furnishings and Houseware	Furniture products include those found in the bedroom, dining, kitchen, living room, office, and outdoor. Products include decorative

	items, organizers, wall hang decors, curtains, and blinds.
Paints	Provides a wide range of paints for different surface types.
Appliances	Products include air cooler, air conditioner, electric fan, entertainment appliances such as television, CD/DVD player, amplifier, kitchen appliances, washing machine, and vacuum cleaner.
Building Materials	Products include building decors and supplies, ceiling and wall, floor and roofing.

Among the major product categories, tiles and flooring products and plumbing and sanitary wares historically have the highest contribution to sales.

The Company carries over 2,000 brands across the different product categories translating to 80,000 to 310,000 stock keeping units (SKUs). The Company further classifies these brands as: (i) in-house brands owned by the Company and exclusive international brands that are solely distributed by the Company, and (ii) other locally procured local and international brands that are not exclusively distributed by the Company.

#### *Store Formats*

The Company operates 36 stores nationwide, as of December 31, 2016, and offers its products via two retail formats, namely the Depot store format and Home Essentials store format.

- *Depots.* The Company conducts its operations primarily through a format under the name “Wilcon Depot”. As of December 31, 2016, the depot format accounted for 96.7% of the Company’s net sales. Each Depot format store carries 90,000 to 200,000 SKUs and offers a broad variety of large-scale home and construction supply products. The net selling space of the Company’s depot stores ranges from 2,800 sqm to 31,000 sqm, with an average net selling space of 9,500 sqm. As of December 31, 2016, the Company had 30 depots located in all the major cities across the Philippines.
- *Home Essentials.* The Company also operates a smaller format known as “Wilcon Home Essentials”. The Home Essentials format was launched in 2009 as a community store-type outlet aimed at customers who require easy access to a basic range of tools and materials for simple housing repair and maintenance. Home Essentials stores range in size from 1,000 sqm to 5,200 sqm with an average net selling space of 2,400 sqm. As of December 31, 2016, the Company had two mall-based Home Essentials stores and four stand-alone branches for a total of six Home Essentials stores.

The Company has designed its stores to provide a comfortable atmosphere that will enhance the customers’ shopping experience. The Company’s stores offer facilities such as free parking, ample ventilation and air-conditioning, well-lit shopping areas, and a similar easy-to-navigate store layout in all its stores. For its depot-format stores the Company offers more shopping convenience like a coffee shop or a snack bar, lounges for customers and their contractors or architects and engineers, design hubs and a play area for kids. The Company continues to ensure the completeness of these features in all of its depots to keep customers satisfied.

Owing to the significantly higher store count and total selling area of depots versus home essentials, majority of the Company’s revenues or 96.7% comprised of net sales generated from the depot-format stores while the remaining 3.3% was contributed by the home essential format stores.

**Distribution Methods of Products**

The Company as mentioned in the preceding paragraphs, operate two store formats, the Depot and the Home Essentials. The home essential stores are confined within Metro Manila while the depots are located in different parts of the Philippines.

Below is the breakdown of the number of the Company’s stores per location and format:

<b>Store format</b>	<b>Region</b>	<b>Number of stores</b>
<b>Depot</b>	Metro Manila	11
	Luzon	16
	Visayas	2
	Mindanao	1
<b>Total Depot</b>		<b>30</b>
<b>Home Essentials</b>	Metro Manila	6
<b>Total Home Essentials</b>		<b>6</b>

The Company outsources various logistics and distribution functions to third parties, which the Company believes allows it to expand its store network rapidly while lowering its operating costs.

Replenishment of the Company’s inventory is provided through direct store deliveries from suppliers for urgent requirements or deliveries to the Company’s warehouses for regular restocking.

**Competition**

The Company is operating in the construction and home improvement supply industry in the Philippines. The Company’s direct competitors are retailers, wholesalers and distributors of constructions and home improvement supply. The Company competes with these entities primarily in terms of the range and quality of products and services offered, pricing, target market, and sales network coverage.

**Suppliers**

The Company has over 400 local and multinational suppliers. Its major suppliers include Mariwasa Siam Ceramics, Inc., Hocheng Philippines Corp., and Lixi Philippines Ltd., all of which are local.

The Company purchases goods on a per order basis through purchase orders issued to suppliers. These purchase orders become the binding contracts between and among the Company and its suppliers. A purchase order provides the supplier details, terms of payment up to 60 days, discounts, entry date of order, delivery date and cancellation date, if any, SKU and description of products.

The Company is not dependent on any one or few suppliers given its extensive product offerings.

### Consignors

Consignors operate within the selling area of Wilcon Depot and Wilcon Home Essentials stores and occupy an average of 31% of the total selling area. The Company charges a pre-determined mark-up on a consignor's cost on its products as its margins.

### Customers

#### *Target Customers*

Wilcon Depot's customers comprise of homeowners from middle to high-income households, whose buying patterns are driven by new home construction, renovation, repair, maintenance, and other types of home improvement needs. Wilcon Depot also caters to independent contractors and project developers who require construction and building materials.

#### *Customer Segments*

The Company divides its customers into two categories:

- *Retail consumers* – Consisting of homeowners and small and independent contractors. Majority of the Company's revenues are generated from its retail consumers.
- *Institutional accounts* – Consisting of big property developers. The Company generates a small portion of its revenue from institutional accounts.

There is no single customer that accounts for more than twenty percent (20%) of the Company's revenues.

#### *Loyalty and Rewards Program – Wilcon Loyalty Card*

Wilcon Depot launched its Wilcon Loyalty Card program in 2011. It is a loyalty and rewards program offered by Wilcon Depot to all its customers free of charge. Registered members can accumulate points based on the amount and quantity of their purchases from any Wilcon Depot branch. The accumulated points can be converted into its equivalent monetary value based on the program and redeemed by the Member. From a membership of 89,118 in end-2011, it has now grown to approximately 466,836 registered active members as of December 31, 2016.

### Transactions with and/or Dependence on Related Parties

The Company, being a spun-off operation of WC, relies on the parent company and other related parties for the acquisition of majority of the current and all of the identified future store sites. Of the 36 branches as of December 31, 2016, only seven sites are leased from unrelated parties.

The Company likewise is a party to a royalty-free, exclusive and non-transferrable trademark licensing agreement with the parent company for the use of the in-house brands and "Wilcon" trademarks.

Further, WDI transacts with several importing companies on a non-exclusive basis in the conduct of its business and among these companies, there are related parties, primarily to address the preference of some suppliers.

Please refer to Item 12, Certain Relationships and Related Transactions, of this report for more details.

#### Intellectual Property

Wilcon Depot uses its other brand names and trademarks under a Trademark Licensing Agreement with its Parent. The licensing agreement grants the Company a royalty-free but non-assignable right to use the trademarks and brand names for a term of five years from April 1, 2016 to March 31, 2021, subject to renewal based on mutual agreement.

#### Government Approvals / Regulations

The Company is covered by various laws and regulations as a retail operation. As part of its normal course of doing business, it secures various government permits and licenses for leasing and operating store buildings.

#### Effect of Existing and Probable Government Regulations

The Company is not aware of any and foresees no impending change in government regulations that may have a material and adverse effect on the operations of the Company.

#### Research and Development

The Company has no expenditure on research and development for the year.

#### Costs and Effects of Compliance with Environmental Laws

The Company is compliant and incurs expenses for the purposes of complying with environmental laws such as the Environmental Clearance Certificate for total store areas of over 10,000 sqm. For stores with areas of 10,000 sqm and below, a Certificate of Non-Coverage may be obtained. Fees for procuring these clearances and permits are standard in the industry.

#### Employees

As of December 31, 2016, the Company has 1,900 direct hired employees. The following table sets out the breakdown of the Company's employees by rank and status.

<b>Rank</b>	<b>Number of Employees</b>
Key management, Manager & Supervisor	531
Rank and File	1,369
<b>Total</b>	<b>1,900</b>

<b>Employment Status</b>	<b>Number of Employees</b>
Regular	1,675
Probationary	135
Contractual	90
<b>Total</b>	<b>1,900</b>

The Company aims to foster a strong sense of responsibility in a motivating environment to enhance its employees' incentives and loyalty. The Company conducts various trainings for different levels of staff, including trainings tailored to specific job duty, such as trainings on product knowledge for sales personnel, a Leadership Enhancement and Development (LEAD) Program for middle management and also a Career Management Program (CMP) in order to ensure the continuous supply of competent key officers within the organization.

The rank and file employees of the Company are subject of a collective bargaining agreement effective until May 11, 2020. At present, no employees are on strike or have been on strike in the past year or are threatening to strike.

The Company anticipates that it will have approximately 2,080 employees within the next 12 months to include new hires for the planned store openings in 2017.

### Risks

1. The Company's expected revenue and net income growth is highly dependent on the expansion of its store network and it may be adversely affected by the following factors:
  - identifying, hiring and training qualified employees for each site;
  - punctual commencement and completion of construction activities;
  - engaging qualified independent contractors;
  - managing construction and development costs of new stores, particularly in competitive markets;
  - securing required governmental approvals, permits and licenses (including construction and business permits) in a timely manner and responding effectively to any changes in applicable laws and regulations that adversely affect the Company's costs or ability to open new stores;
  - unforeseen engineering or environmental problems with leased premises; and,
  - avoiding the impact of inclement weather, natural disasters and other calamities.

The Company has properly planned its expansion program and has worked cooperatively with the parent company to put in place contingency and corrective measures where issues especially in the construction of new stores occurred that would delay said expansion. There is no guarantee, however, that these corrective measures would totally eliminate the risk of delays in the implementation of the expansion plans.

2. The Company may encounter significant competition in key provincial cities outside Metro Manila. A significant portion of the Company's medium-term expansion strategy is to open new stores in the various regions of the Philippines, particularly in areas outside of Metro Manila. The retail market in these areas is dominated by independent local operations. Expansion into these areas exposes the Company to operational, logistical and other risks of doing business in new territories. The Company has studied the demographics and the competitive environment in the areas it has planned to enter to overcome challenges of entering new markets. There is no guarantee that the strategies the Company will employ will result in the immediate and sustainable profitability of the branches to be opened in these new areas.
3. New stores will place additional burden on Company's existing resources, which may adversely affect its business. The Company's plans for expansion will place additional burden on its existing operational, managerial, financial and administrative resources. There is a risk that the Company's existing resources could fail to accommodate the increased number of stores, which in turn could compromise the operations of existing stores through deteriorating quality of its customer service, lack of product selection, poor management of inventory, among others. Although the Company has an effective recruitment and training program in place to always have a pool of available competent personnel that can be deployed anytime and has kept a healthy financial condition to have ready access to debt and equity financing, these are not guarantees that the accelerated expansion plan will not strain existing resources.
4. The success of the Company's business is reliant on the Company's continuing capability to source and sell the appropriate mix of products that meet customer preferences. The Company's success is dependent on its ability to source and sell products that meet quality standards and at the same time satisfy customers' preferences. The Company has a team of employees primarily responsible for sourcing the right portfolio of products, studying and anticipating trends in customer behavior, and appropriately responding to these trends. Its ability to source and market such products, or to accurately forecast or quickly adapt to changing customer preferences, will affect the level of customer transactions in the Company's stores, which could have an effect on the Company's business.
5. The Company may not be able to maintain and develop good relationships with its current and future suppliers, and failure to do so may adversely affect its business. The Company's success is reliant on its relationships with current and future suppliers. The Company has had long-standing relationships with multiple local and foreign suppliers. The ability of the Company to build relationships with new suppliers and to maintain or further strengthen existing relationships with suppliers is important in enabling the Company to source its desired portfolio of products at the preferred price.
6. The Company currently relies on distributors and service providers for its logistics requirements. The Company relies on distributors and third party service providers for transportation and deliveries of products to its stores. Any deterioration in its relationships with these distributors or service providers or other changes relating to these parties, including changes in supply and distribution chains, could have a material adverse effect on the Company's business, financial condition and results of operations. The Company has been able to establish and continues to improve its solid long-standing relationships with its service providers throughout the years. There can be no assurance, however, that these efforts will be successful.

7. The Company is party to a large number of related party transactions. Certain companies controlled by the Belo Family have significant commercial transactions with the Company. The Company's related party transactions include leases and purchases. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Belo Family. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise between the Belo Family and the Company in a number of other areas relating to its businesses, including:
- major business combinations involving the Company and its subsidiaries
  - transfers of affiliated companies into the Company;
  - plans to develop the respective businesses of the Company; and,
  - business opportunities that may be attractive to both the Belo Family and the Company.

A continued high level of related party transactions may have a material adverse effect on the Company's business or results of operations.

The terms of these related party transactions however, are pursuant to rates determined by an independent third party appraiser that was engaged by the Company to ensure the fairness of these transactions.

8. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration. The Company is required to maintain licenses, permits and other authorizations, including licenses and certain construction activities. The Company is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. If the Company fails to meet the terms of any of its licenses, permits or other authorizations necessary for operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences.

In view of the foregoing, the Company in the conduct of its business has always closely monitored all its establishments to determine strict compliance with the local and national laws including amendments thereto as well as the terms and conditions of its permits and licenses. However, there can be no assurance that these efforts will be successful.

9. Changes in the retail and real estate market environment in the Philippines could affect the Company's business. The Company's home improvement business is dependent on the favorable growth and performance of the retail and real estate markets. The largest retail market of the Company is Metro Manila. The Company's stores in Metro Manila account for more than half of its total sales. Demand for the Company's products is driven by new and existing real estate projects in the market including, but not limited to, residential houses, condominiums, offices and commercial buildings.

Any changes in these markets, including further consolidation among the Company's competitors, change of consumer preferences, decline in the Company's brand recognition, adverse regulatory developments or adverse developments in consumer disposable income in Metro Manila, slow roll-out of housing and other real estate projects, in particular, could have an adverse effect on the Company's business. The Company however, as it has done throughout the years, monitors and



analyzes these markets in order for it to successfully anticipate changes and sufficiently respond to any development and continue to provide more and various choices to its customers.

## **Item 2. Properties**

The Company does not own real estate. It entered into lease agreements with WC and other third parties, to lease the land and/or buildings where its stores and warehouses are situated. The Company plans to enter into new leases in the next 12 months. The Company intends to continue to lease appropriate real estate properties that meet the Company's standards and requirements.

## **Item 3. Legal Proceedings**

The Company and its management is not involved in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position or profitability.

None of the members of the Board of Directors, executive officers and shareholders of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

## **Item 4. Submission of Matters to a Vote of Security Holders**

The following items were submitted to a vote of security holders for the year:

1. Election of members of the board of directors/independent directors
2. Amendment of Articles of Incorporation to *change the corporate name of Wilcon Depot, Inc. to Wilcon Depot, Inc. (doing business under the name and style of Wilcon Depot and Wilcon Home Essentials)* and to increase the Company's authorized capital stock from 200 million shares to five billion shares of common stock at ₱1.00 per share par value.
3. Acquisition of the trading business of the Parent Company solely in exchange for shares of stock of the Company.
4. Assumption of trading loans and liabilities
5. Appointment of the external auditor
6. Confirmation of transfer value of trading assets
7. Authority to conduct initial public offering and register and list the Company's shares
8. Appointment of external advisers, counsels and other professionals in connection with the Company's initial public offering.

## **PART II. OPERATIONAL AND FINANCIAL INFORMATION**

### **Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

As of December 31, 2016, the common shares of the Company were still privately held and not listed with the Philippine Stock Exchange or any other exchange.

## **Item 6. Management's Discussion and Analysis**

### **For the period ended December 31, 2016 compared with one-month period ended December 31, 2015**

#### *Net Sales*

The Company generated net sales of ₱12,298 million for the year ended December 31, 2016, representing net sales from April 1, 2016, which was the start of commercial operations upon the spinoff of the trading business of WC to WDI. Sales from the depots still made up the bulk of total sales, accounting for 96.7% or ₱11,896 million, while sales generated by the home essentials format stores comprised the remaining 3.3% or ₱402 million. During the period, the Company opened two new stores, in Molino, Cavite in April and Sta. Rosa, Laguna in September. Both areas have seen remarkable growth in real estate development for industrial, commercial and residential purposes. Sales from these new stores already comprised 2.7% of total sales for the year and are expected to contribute more to the Company's revenues in the future given the demographics of their locations.

#### *Cost of Sales*

Cost of sales closed at ₱8,999 million, resulting in a gross profit margin of 26.8% for the year ended December 31, 2016.

#### *Operating Expenses*

The Company's operating expenses amounted to ₱2,287 million at the end of the year. Salaries and rent expense made up the bulk of operating expenses accounting for 44.1% of the total. For the one-month ended December 31, 2015, operating expenses totaled ₱0.758 million consisting of taxes and licensing and professional fees.

#### *Interest Expense*

Interest expense for the year amounted to ₱30 million for both short-term and long-term loans.

#### *Other Income (Charges)*

For the period, the Company generated a net other income of ₱34 million consisting of rent income from gondola lightings, façade billboards and display windows, interest income and other income representing amounts charged to and from suppliers for the use of billboards, signage and other reimbursable costs.

#### *Earnings Before Interest and Tax (Operating Income/EBIT) / Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)*

Operating Income for the year 2016 closed at ₱1,046 million, while EBITDA amounted to ₱1,108 million, equivalent to 8.5% and 9.1% of total sales, respectively.

#### *Income Tax Expense (Benefit)*

Income tax benefit for the year netted out at ₱128 million. This consisted of current income tax totaling ₱308 million representing regular corporate income tax and a ₱180 million deferred tax benefit. The Company has no current income tax for the one-month period ended December 31, 2015 since it was in a loss position and will only be subject to the minimum corporate income tax in 2019.

#### *Net income*

Net income for the year ended December 31, 2016 reached ₱887 million for a 7.2% net profit margin.

#### **Financial Condition**

##### *Assets*

*Current assets.* Cash increased by ₱588 million to close at ₱638 million by the end of the period, December 31, 2016 from the ₱50 million cash balance as at December 31, 2015. The ₱50 million cash balance in 2015 represented the initial equity infusion.

Trade and other receivables totaled ₱423 million, comprising 5.0% of current assets and representing mostly trade receivables from customers.

Merchandise inventories totaling ₱6,576 million make up the bulk of current assets, accounting for 78.2%.

*Noncurrent assets.* The Company's noncurrent assets totaled ₱737 million as at December 31, 2016, comprising 8.06% of total assets. Property and equipment account for 46.4% of the total noncurrent assets which consist of leasehold improvements, furniture and equipment among others transferred from the parent company.

##### *Liabilities*

*Current liabilities* amounted to ₱4,497 million comprising of short term borrowings of ₱445 million, current portion of long term debt of ₱278 million, trade and other payables of ₱3,620 million and income tax payable of ₱154 million. Current liabilities account for 80.9% of total liabilities. Current liabilities as at December 31, 2015 totaled ₱0.758 million.

*Noncurrent liabilities* totaled ₱1,064 million, representing long term debt, net of current portion, of ₱649 million and retirement liability of ₱415 million at the close of December 31, 2016.

##### *Equity*

Total equity amounted to ₱3,582 million, comprised of capital stock of ₱2,706 million, and retained earnings of ₱886 million. The parent company, WC, on April 1, 2016 subscribed 2,656 million shares of the Company's common shares in exchange for the trading business of the parent, including the related assets and liabilities, netting at ₱2,656 million. The subscription of shares and transfer of assets by the parent company was approved by the SEC on November 15, 2016.

**Material Changes (+ / - 5% or more) in the 2016 Financial Statements**

Since the Company started commercial operations only on April 1, 2016 upon the transfer of the trading business from the parent, all account balances in the 2016 financial statements changed materially from the balances as at December 31, 2015. The Company was incorporated only on December 17, 2015.

**Key Financial Performance Indicators**

<b>Key Performance Indicators</b>	<b>2016</b>	<b>2015</b>
Sales	12,298,415,794	-
Operating Income <sup>1</sup>	1,045,597,138	(757,510)
EBITDA <sup>2</sup>	1,108,311,745	(757,510)
Operating Profit Margin <sup>3</sup>	8.50%	N / A
Current Ratio <sup>4</sup>	1.87	66.01
Debt to Equity Ratio <sup>5</sup>	1.55	0.02
Interest Coverage Ratio <sup>6</sup>	36.65	N / A

- 1 *Income before tax add interest expense*
- 2 *Income before tax add interest expense and depreciation and amortization*
- 3 *Operating income / Net Sales*
- 4 *Current Assets / Current Liabilities*
- 5 *Total Liabilities / Total Equity*
- 6 *EBITDA / Interest Expense*

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

There are also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entries or other persons that was created during the reporting period.

**Item 7. Financial Statements**

The financial statements are incorporated in this report in the Index to the Exhibit.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of Reyes Tacandong & Co. ("RT&Co.") as its external auditor since its incorporation. There has not been any material disagreements on accounting and financial disclosures with RT&Co. for the years ended December 31, 2015 and 2016.

### PART III. CONTROL AND COMPENSATION INFORMATION

#### Item 9. Directors and Executive Officers of Registrant

All of the Directors and Officers named herein have served in their respective positions since March 30, 2016 except as otherwise indicated.

Name	Age	Nationality	Position
William T. Belo	71	Filipino	Chairman of the Board
Lorraine Belo-Cincochan	37	Filipino	Director and Chief Executive Officer
Rosemarie Bosch-Ong	58	Filipino	Director and Chief Operating Officer
Mark Andrew Y. Belo	34	Filipino	Director and Chief Finance Officer
Careen Y. Belo	33	Filipino	Director
Rolando S. Narciso	70	Filipino	Independent Director
Ricardo S. Pascua	68	Filipino	Independent Director
Sheila Pasicolan	30	Filipino	Corporate Secretary
Eden M. Godino	40	Filipino	Vice President - Product Development
Grace A. Tiong	43	Filipino	Vice President - Human Resources
Michael D. Tiong	43	Filipino	Vice President – Global Operations

**William T. Belo** is the Chairman of the Company. He is the founder of the Wilcon business and brand. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 including the parent, WC. Currently, he is involved in other business undertakings and serves as Director of Markeenlo Realty Inc., Lomarkeen Realty Inc.; the President of Coral-Agri Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of the Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

**Lorraine Belo-Cincochan** is a Director and the President of the Company and a Director of WC. She has held various positions in the business starting out as a trainee to the President of Wilcon Builders Supply, Inc. in 2000, headed the IT department in 2002 before being assigned to manage the daily operations of a branch as a Depot Manager-trainee from 2003 to 2005 under WC. She was then appointed as Executive Vice President for Operations in 2005 and in 2006 was named Chief Finance Officer, holding the position until March, 2016. Ms. Belo-Cincochan graduated from the University of the Philippines-Diliman in 1999 with a Bachelor's degree in Creative Writing.

**Rosemarie Bosch-Ong** is a Director and the Senior Executive Vice President and Chief Operating Officer of the Company. She held this position since 2007 initially under WC, immediately prior, she was Executive Vice President for Sales and Marketing, which she held from 1988 to 2007. She started out in the business as a Purchasing Manager under WBSI from 1983 to 1988. She is also the President of the Wilcon Builders Foundation Inc., which she has headed since 2008. She is a Director of the Philippine Contractors Association and the Philippine Retailers Association and a former Treasurer of the Philippine Association of National Advertisers (PANA) Foundation. Ms. Bosch-Ong has a Master's degree in Business Administration from De La Salle University obtained in 2010 and she graduated from the University of the East in 1986 with a bachelor's degree in Economics.

**Mark Andrew Y. Belo** is the Treasurer and Chief Financial Officer of the Company and the President and Chief Executive Officer of WC from March 2016 to the present. Under WC, he was Assistant Vice-President for Business Development from 2015 to March, 2016 and Executive Project Management Head from January 2013 to March 2015. He was also assigned in various positions under Wilcon Builders Supply, Inc. from July 2004 to August 2007. He graduated from the University of Asia & the Pacific in 2004 with a bachelor's degree in Industrial Economics.

**Careen Y. Belo** is a Director. She is concurrently a Director of WC, the Executive Vice President for Sales and Product Development of Coral-Agri Venture Farm Inc., Executive Officer of Crocodylus Porosus Phil Inc. and President of The Meatplace Inc. She held various positions in the business having been a Business Development Manager from 2004 to 2007 of WC, Marketing and Sales Assistant from 2007 to 2014 and Executive Financial Audit Manager from 2014 to March, 2016. Ms. Belo obtained her Bachelor of Science in Management from the University of Asia & the Pacific in 2005.

**Ricardo S. Pascua** is an Independent Director of the Company since September 2016. He was Vice Chairman of the Board and President and CEO of Metro Pacific Corporation from January 2000 until his retirement in December 2001, a position he held also from January 1993 to July 1995. In between, he was Vice Chairman and CEO of Fort Bonifacio Development Corporation. He was concurrently an Executive Director of First Pacific Company Ltd. from 1982 to 2001 and as such served in the boards of companies such as Smart Communications, Inc., United Commercial Bank in San Francisco, California, First Pacific Bank in Hong Kong and 1st eBank in Manila. Mr. Pascua started his career in Bancom Development Corporation as Asst. Vice President in 1972 and was assigned in Bancom International Ltd. in Hong Kong as Senior Manager in 1975. Currently, Mr. Pascua serves as an independent director in various corporations and foundations. He is likewise involved in several businesses as Chairman of the Board of Caelum Developers Inc., Facilities & Property Management Technologies, Inc., Ascension Phildevelopers, Inc.; Chairman of the Executive Committee of Phoenix Land Inc. and a Director in Boulevard Holdings, Inc., Central Luzon Doctor's Hospital, Costa de Madera Corp. and Quicksilver Satcom Ventures, Inc.; and the President of Bancom II Consultants, Inc. Mr. Pascua has a Master of Business Management from Asian Institute of Management obtained in 1971 and he finished his bachelor's degree majoring in Economics (Cum Laude) from the Ateneo de Manila University in 1969.

**Rolando S. Narciso** is an Independent Director of the Company since September 2016. He was formerly a Director and Officer of New Kanlaon Construction, Inc. from 2004 to 2014. He was President and Chief

Operating Officer of Steel Corporation of the Philippines from 1998 to 2004 and President and Chief Executive Officer of Royal Asia Multi-Properties, Inc. from 1996 to 1997. Before the National Steel Corporation was privatized, Mr. Narciso was its President and Chief Operating Officer from 1989 to 1995 and concurrently from 1989 was a Director of Refractories Corp. of the Phils. And Semirara Coal Corp. up to 1994; and Integrated Air Corp. up to 1993. From 1974 to 1988, he held various positions in National Steel and other subsidiaries of the National Development Company. He also held various positions in the Esso Group of Companies from 1967 to 1974. He is a member of professional organizations such as the Financial Executives, Inc. and the Management Association of the Philippines. He obtained his Master in Business Management and Bachelor of Science in Business Administration degrees from the Ateneo de Manila University in 1967 and 1965, respectively.

**Sheila Pasicolan** is the in-house legal counsel of the Company. She joined the Company in January 2016 after serving as a Senior Associate in Sycip Gorres Velayo and Co. from November 2014 to December 2015. Prior to her admission to the Philippine Bar in 2015, she served as a legal intern at the Office of the Solicitor General in 2013 and a technical assistant in the Office of the Presidential Assistant for Education of the Office of the President of the Philippines from 2009 to 2010. She completed Bachelor of Arts in History from University of the Philippines and obtained a Master Degree in Philippine Studies in the same university. Ms. Pasicolan completed her Bachelor of Laws in San Beda College in 2014.

**Eden M. Godino** is the Vice President of Product Development. She joined the department in 2007, initially as the Asst. Vice President and was appointed in her present position in 2011. Ms. Godino joined Wilcon in 1997 and was assigned in Accounting, Purchasing and later went on to become a Depot Manager in 2004, a position she held for three years prior to her promotion to AVP in Product Development in 2007. She graduated with a Bachelor of Science degree in Accountancy from the University of the Assumption in 1997 and obtained a short course diploma program from the De La Salle College of St. Benilde on Supply Chain Management major in Purchasing and Logistics Operations in 2015.

**Grace A. Tiong** is the Vice President for Human Resources. She has been the head of Human Resources as VP since 2008. She joined Wilcon in 1995 and was assigned in Accounting. She was promoted to various positions within the branch and eventually became a Branch Manager in 2005. She joined the Human Resources department as an Asst. HR Manager after her stint in Operations in 2005. Ms. Tiong graduated from New Era University in 1994 with a bachelor's degree in Accountancy and obtained diploma courses in Human Capital Management and Organizational Development from the School of Professional and Continuing Education of the De La Salle College of St. Benilde from 2014 to 2016.

**Michael D. Tiong** is the Vice President for Global Operations. Prior to his appointment as Vice President in July, 2016, he handled Sales and Operations as an Asst. Vice President since January 2011. Mr. Tiong joined Wilcon as a Salesman in 2000 and became Depot Manager in 2007 until 2009, when he was promoted to Asst. Vice President for Operations. Mr. Tiong took up Bachelor of Science in Architecture at the Far Eastern University in 1993.

#### Significant Employees

The Company does not believe that its business is dependent on the services of any particular employee.

#### Family Relationships

As of December 31, 2016, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's officers are as follows:

Ms. Lorraine Belo-Cincochan, Mr. Mark Andrew Y. Belo and Ms. Careen Y. Belo are children of Mr. William T. Belo and Ms. Rosy Chua Belo.

#### Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this report: (1) had any 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 a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

### **Item 10. Executive Compensation**

#### **1. Summary of Compensation Table**

The following table sets out the summary of compensation of the top 5 officers including the Chairman.

<b>Name</b>	<b>Position</b>
William T. Belo	Chairman
Lorraine Belo-Cincochan	Director and Chief Executive Officer
Rosemarie Bosch-Ong	Director and Chief Operating Officer
Mark Andrew Y. Belo	Director and Chief Finance Officer
Careen Y. Belo	Director

Below is the aggregate compensation of executive officers and directors of the Company for the year 2016 and projected for the year 2017.

#### Actual



<b>Key Management Officers</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>
Top 5 Officers	2016	10.04M	1.94M
Other directors and officers as a group	2016	13.69M	3.3M

**Projected for 2017**

<b>Key Management Officers</b>	<b>Year</b>	<b>Compensation</b>	<b>Bonuses</b>
Top 5 Officers	2017	16.14M	2.58M
Other directors and officers as a group	2017	19.15M	4.4M

**Standard Arrangements**

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

**Other Arrangements**

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

**Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

The Company has no special employment contracts with the named executive officers.

**Warrants and Options**

There are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

**Item 11. Security Ownership of Certain Record and Beneficial Owners and Management**

All shareholders of record are likewise the beneficial owners of the shares they hold.

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner</b>	<b>Citizenship</b>	<b>Number of Shares Held</b>	<b>% of Total Outstanding Shares</b>
Common	William T. Belo				

	#90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	William T. Belo	Filipino	5,099,997	0.19%
Common	Rosy Chua Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Stockholder	Rosy Chua Belo	Filipino	5,100,000	0.19%
Common	Lorraine Belo-Cincochan #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	Lorraine Belo- Cincochan	Filipino	5,100,000	0.19%
Common	Mark Andrew Y. Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	Mark Andrew Y. Belo	Filipino	5,100,000	0.19%
Common	Careen Y. Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	Careen Y. Belo	Filipino	5,100,000	0.19%
Common	Rosemarie B. Ong 90 Greenmeadows Ave. Greenmeadows, Quezon City Director	Rosemarie B. Ong	Filipino	1	0.00%
Common	Rolando S. Narciso Lexington Garden Village, San Joaquin, Pasig City Independent Director	Rolando S. Narciso	Filipino	1	0.00%
Common	Ricardo S. Pascua 3 Pebblewood cor. Fairwood McKinley Hill Village, Taguig City Independent Director	Ricardo S. Pascua	Filipino	1	0.00%
Common	Wilcon Builder's Depot, Inc. <i>now Wilcon Corporation</i>	Wilcon Builder's Depot, Inc.	Filipino	2,680,317,916	99.06%

None of the shareholders of record hold any share for and on behalf of another, or beneficial owner. Neither is any shareholder acting on behalf of a beneficial owner who is non-Filipino. The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of December 31, 2016:

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
Wilcon Corporation	Record Owner	Filipino	2,680,317,916	99.06%

As of December 31, 2016, the Company does not have any foreign shareholders.

#### SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets forth the ownership of directors and management of the Company's Common Shares as of December 31, 2016.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	William T. Belo	₱5,099,997.00(Direct)	Filipino	0.19%
Common	Rosy Chua Belo*	₱5,100,000.00 (Direct)	Filipino	0.19%
Common	Lorraine Belo-Cincochan	₱5,100,000.00 (Direct)	Filipino	0.19%
Common	Mark Andrew Y. Belo	₱5,100,000.00 (Direct)	Filipino	0.19%
Common	Careen Y. Belo	₱5,100,000.00(Direct)	Filipino	0.19%
Common	Rosemarie B. Ong	₱1.00 (Direct)	Filipino	0.00%
Common	Rolando S. Narciso	₱1.00 (Direct)	Filipino	0.00%
Common	Ricardo S. Pascua	₱1.00 (Direct)	Filipino	0.00%

\*Resigned as Director as of September 13, 2016

The following table sets forth ownership of directors and executive officers as a group:

Title of Class	Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Directors and Executive Officers	₱25,500,000.00 (Direct)	Filipino	0.95%

The chart below shows the dilution of the Company's principal shareholders as a result of the Offer.

Name of Shareholder	Number of subscribed Common Shares	% of total shareholding before the Offer	% of total shareholding after the Offer
Wilcon Corporation	2,680,317,916	99.06%	65.38%

### Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of December 31, 2016.

### Change in Control

There are no arrangements which may result in a change in control of the Company as of December 31, 2016.

### **Item 12. Certain Relationships and Related Transactions**

The Company, in the ordinary course of business, engages in various transactions with related parties, particularly with its parent company, WC.

The Company's material related party transactions include:

#### **1. Trademark Licensing Agreements**

The Company is a party to a Trademark Licensing Agreement with WC. WC granted WDI an exclusive, non-transferable and royalty-free license to use the trademarks in connection with WDI's trading operations in the Philippines. This licensing agreement is for a period of five years from April 1, 2016 to March 31, 2021, and renewable under terms mutually agreed between the parties.

Some of the trademarks under the Licensing Agreement are: Arte Ceramiche (tiles), Heim Home Essentials (furniture), Kasch (sanitary wares), Pozzi (sanitary wares) and Sol Ceramica (tiles).

#### **2. Lease Agreements**

The Company has existing lease agreements with WC and other companies controlled by the Belo Family, whereby the Company leases the store buildings and warehouses including the land on which these facilities are located. The leases are generally for a period of three (3) years commencing on April 1, 2016 and renewable under terms mutually agreed between the parties. Please see discussion on page 158 under Material Contracts.

All transactions with related parties are on an arm's length basis and under terms and conditions that are no less or more favorable than those arranged with third parties.

#### **3. Importing Transactions**

In the conduct of its business, the Company transacts on a non-exclusive basis with various importers - third parties and related or under common control entities. Importing transactions under related

parties are suppliers' preference driven. For 2016, imports through related parties and entities under common control amounted to ₱1,414 million.

#### **PART IV. CORPORATE GOVERNANCE**

##### **Item 13. Corporate Governance**

The Company was listed with the Philippine Stock Exchange on March 31, 2017, beyond the period covered by this report. The Company, however, undertakes that it will comply with all of the guidelines prescribed in the *Code of Corporate Governance For Publicly Listed Companies*.

The Company began instituting the structures necessary to comply with the Code of Corporate Governance for Public Companies in 2016. The Audit Committee was created during the Board of Directors meeting on September 16, 2016 and the Audit Committee Charter and the Corporate Governance Manual were approved during the October 19, 2016 board meeting.

The Company is also in the process of formally setting up its risk management board committee, policy and systems for the approval of the Board of Directors.

The Company, meanwhile, has the following Corporate Governance structures and initiatives in place for 2016.

#### **PART V. EXHIBITS AND SCHEDULES**

##### **Item 14. Exhibits and Reports on SEC Form 17-C**

The Registration Statement was rendered effective by the Securities and Exchange Commission on March 17, 2017 and the Company listed in the Philippine Stock Exchange on March 31, 2017.

**SIGNATURES**

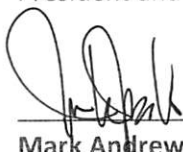
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized in

Quezon City on 126 APR 2017

By:



Lorraine Belo-Cincochan  
President and Chief Executive Officer



Mark Andrew Y. Belo  
Treasurer and Chief Financial Officer

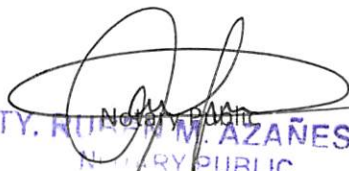


Sheila P. Pasicolan  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this, 126 APR 2017 affiants exhibiting to me their respective Passports, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lorraine Belo-Cincochan	EC7174249	21 March 2016	DFA Manila
Mark Andrew Y. Belo	EC0890220	22 April 2014	DFA NCR CENTRAL
Sheila P. Pasicolan	EC0271442	12 February 2014	DFA NCR EAST

Doc. No. 388  
Page No. 14  
Book No. 14  
Series of 2017

  
**ATTY. RICHARD M. AZAÑES, JR.**  
 Notary Public  
 UNTIL DECEMBER 31, 2017  
 PTR No. 3802443, 01-03-2017  
 Roll of Attorney's No. 46427  
 IBP No. 0998567-Q.C. Chapter  
 Admin. Matter No. NP-291  
 MCLE No. 0022246  
 TIN No. 140-394-336  
 (PRBS) Camp Crame, Quezon City

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

Annex "A"

SEC Registration Number

C S 2 0 1 5 2 4 7 1 2

## COMPANY NAME

W I L C O N D E P O T , I N C . D o i n g B u s i n e s s u n d e r  
t h e N a m e a n d S t y l e o f W I L C O N D E P O T a n d  
W I L C O N H O M E E S S E N T I A L S ( A S u b s i d i a r y o  
f W I L C O N C O R P O R A T I O N D o i n g B u s i n e s s u n d  
e r t h e N a m e a n d S t y l e o f W I L C O N C I T Y C E  
N T E R )

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

N o . 9 0 E . R o d r i g u e z J r . A v e n u e , B r g y . U  
g o n g N o r t e , Q u e z o n C i t y

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

wilcon@wilcon.com.ph

Company's Telephone Number/s

(02) 634-8387

Mobile Number

-

No. of Stockholders

9

Annual Meeting (Month / Day)

March 30, 2016

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mark Andrew Y. Belo

Email Address

markbelo@wilcon.com.ph

Telephone Number/s

(02) 634-8387

Mobile Number

-

## CONTACT PERSON'S ADDRESS

No. 90 E. Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City

**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 shall not excuse the corporation from liability for its deficiencies.







**REPORT OF INDEPENDENT AUDITOR  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
BUREAU OF INTERNAL REVENUE**

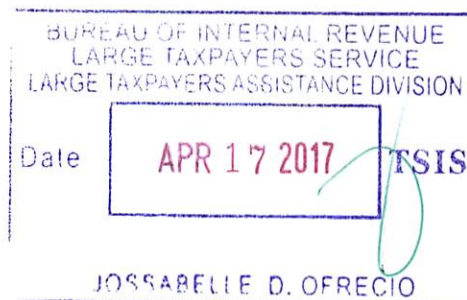
The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company and formerly Wilcon Depot, Inc.), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2016, on which we have rendered our report dated April 12, 2017.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**REYES TACANDONG & Co.**

**HAYDEE M. REYES**  
Partner  
CPA Certificate No. 83522  
Tax Identification No. 102-095-265-000  
BOA Accreditation No. 4782; Valid until December 31, 2018  
SEC Accreditation No. 0663-AR-2 Group A  
Valid until April 14, 2017  
BIR Accreditation No. 08-005144-6-2017  
Valid until January 13, 2020  
PTR No. 5908527  
Issued January 3, 2017, Makati City



April 12, 2017  
Makati City, Metro Manila







**INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

*Opinion*

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company and formerly Wilcon Depot, Inc.), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended December 31, 2016 and one-month period ended December 31, 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 year ended December 31, 2016 and one-month period ended December 31, 2015, in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

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

*Other 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 (Annual Report) and Annual Report distributed to stockholders for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report distributed to stockholders for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

THE BUREAU OF INTERNAL REVENUE  
LARGE TAXPAYERS SERVICE  
Date **APR 17 2017** TSIS  
JOSSABELLE D. OFRECIO





*Other Matter*

The Company was registered with the Securities and Exchange Commission on December 17, 2015 and started commercial operations on April 1, 2016.

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

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

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

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

*Auditor's Responsibility for the Audit of Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

BUREAU OF INTERNAL REVENUE  
LARGE ACCOUNTS SERVICE  
TAXPAYER ASSISTANCE DIVISION  
Date: APR 17 2017  
JOSE ARIF D. OFRECIO







- 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2017

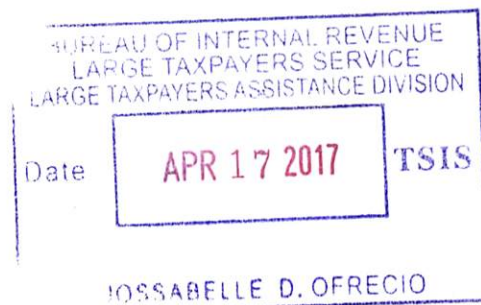
Valid until January 13, 2020

PTR No. 5908527

Issued January 3, 2017, Makati City

April 12, 2017

Makati City, Metro Manila

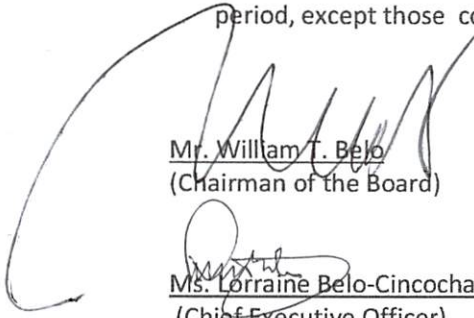


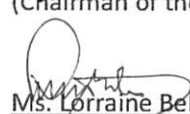
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The Management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2016. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting year. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting year, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

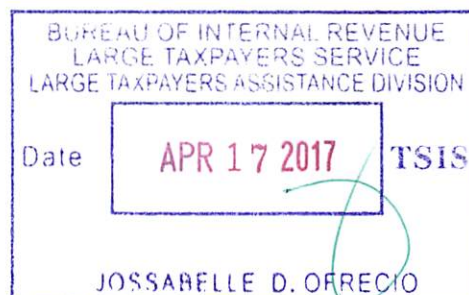
In this regard, the Management affirms that the attached audited financial statements as at December 31, 2016 and December 31, 2015 and for the twelve-month period ended December 31, 2016 and one-month period ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company complete and correct in all material aspects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted report arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
Mr. William T. Belo  
(Chairman of the Board)

  
Ms. Lorraine Belo-Cincochan  
(Chief Executive Officer)

  
Mr. Mark Andrew Y. Belo  
(Chief Financial Officer)



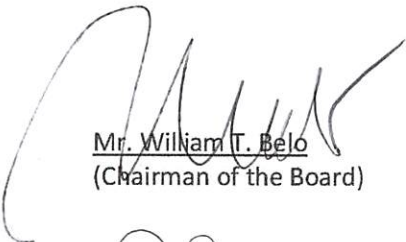
April 12, 2017

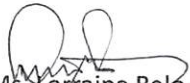
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) is responsible for the preparation and fair presentation of the financial statements as at December 31, 2016 and December 31, 2015 and for the twelve-month period ended December 31, 2016 and one-month period ended December 31, 2015, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

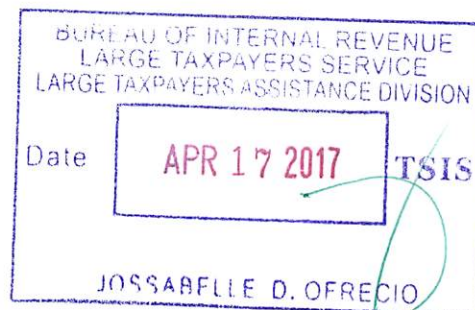
The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the Board of Directors as at December 31, 2016 and December 31, 2015 and for the twelve-month period ended December 31, 2016 and one-month period December 31, 2015 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

  
Mr. William T. Belo  
(Chairman of the Board)

  
Ms. Lorraine Belo-Cincochan  
(Chief Executive Officer)

  
Mr. Mark Andrew Y. Belo  
(Chief Financial Officer)



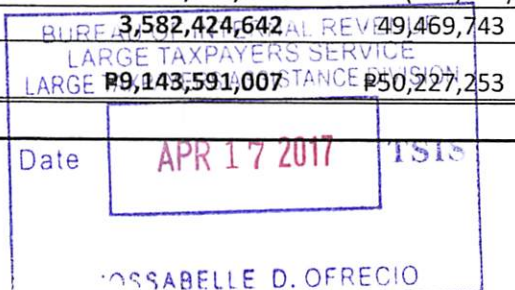


**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
(A Subsidiary of WILCON CORPORATION Doing Business under the  
Name and Style of WILCON CITY CENTER)

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2016 AND 2015**

	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	P638,072,093	P50,000,000
Trade and other receivables	6	422,593,586	-
Merchandise inventories	7	6,575,843,901	-
Other current assets	8	769,937,004	-
Total Current Assets		8,406,446,584	50,000,000
<b>Noncurrent Assets</b>			
Property and equipment	9	341,897,899	-
Deferred tax assets	19	184,261,772	227,253
Other noncurrent assets	10	210,984,752	-
Total Noncurrent Assets		737,144,423	227,253
		<b>P9,143,591,007</b>	<b>P50,227,253</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term debt	11	P445,000,000	P-
Current portion of long-term debt	12	278,461,539	-
Trade and other payables	13	3,619,679,500	757,510
Income tax payable		154,094,765	-
Total Current Liabilities		4,497,235,804	757,510
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	12	649,358,974	-
Retirement liability	14	414,571,587	-
Total Noncurrent Liabilities		1,063,930,561	-
Total Liabilities		5,561,166,365	757,510
<b>Equity</b>			
Capital stock	15	2,705,817,916	50,000,000
Other comprehensive loss	14	(9,640,325)	-
Retained earnings (deficit)		886,247,051	(530,257)
Total Equity		3,582,424,642	49,469,743
		<b>P9,143,591,007</b>	<b>P50,227,253</b>

See accompanying Notes to Financial Statements.



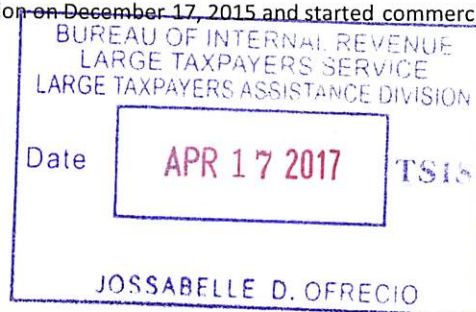
**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
(A Subsidiary of WILCON CORPORATION Doing Business under the  
Name and Style of WILCON CITY CENTER)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015\***

	Note	2016 (One Year)	2015 (One Month)
<b>NET SALES</b>		<b>₱12,298,415,794</b>	<b>₱-</b>
<b>COST OF SALES</b>	16	<b>(8,999,485,092)</b>	<b>-</b>
<b>GROSS INCOME</b>		<b>3,298,930,702</b>	<b>-</b>
<b>OPERATING EXPENSES</b>	17	<b>(2,286,996,656)</b>	<b>(757,510)</b>
<b>INTEREST EXPENSE</b>	12	<b>(30,239,828)</b>	<b>-</b>
<b>OTHER INCOME - Net</b>	18	<b>33,663,092</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>1,015,357,310</b>	<b>(757,510)</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>	19		
Current		308,482,953	-
Deferred		(179,902,951)	(227,253)
		<b>128,580,002</b>	<b>(227,253)</b>
<b>NET INCOME (LOSS)</b>		<b>886,777,308</b>	<b>(530,257)</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Item not to be reclassified to profit or loss</i>			
Remeasurement loss on retirement liability, net of deferred income tax	14	<b>(9,640,325)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱877,136,983</b>	<b>(₱530,257)</b>
<b>BASIC AND DILUTIVE EARNINGS (LOSS) PER SHARE</b>	22	<b>₱0.43</b>	<b>(₱0.01)</b>

See accompanying Notes to Financial Statements.

\* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and started commercial operations on April 1, 2016.



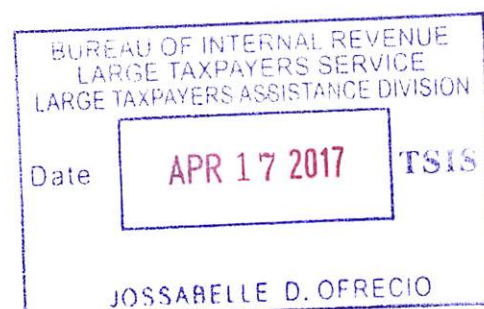
**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
(A Subsidiary of WILCON CORPORATION Doing Business under the  
Name and Style of WILCON CITY CENTER)

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015\***

	Note	2016 (One Year)	2015 (One Month)
<b>CAPITAL STOCK</b>			
	15		
Balance at beginning of period		P50,000,000	P50,000,000
Issuance of shares		2,655,817,916	-
Balance at end of period		2,705,817,916	50,000,000
<b>OTHER COMPREHENSIVE LOSS</b>			
	14		
Remeasurement loss on retirement liability, net of deferred income tax		(9,640,325)	-
<b>RETAINED EARNINGS (DEFICIT)</b>			
Balance at beginning of period		(530,257)	-
Net income (loss)		886,777,308	(530,257)
Balance at end of period		886,247,051	(530,257)
		<b>P3,582,424,642</b>	<b>P49,469,743</b>

*See accompanying Notes to Financial Statements.*

\* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and started commercial operations on April 1, 2016.



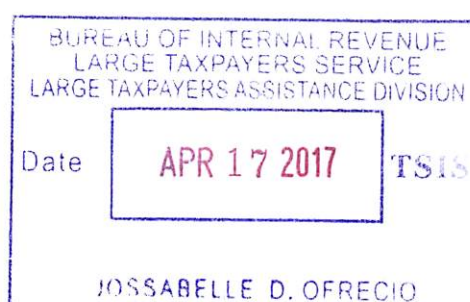


**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
(A Subsidiary of WILCON CORPORATION Doing Business under the  
Name and Style of WILCON CITY CENTER)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016 AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015\***

	Note	2016 (One Year)	2015 (One Month)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		₱1,015,357,310	(₱757,510)
Adjustments for:			
Depreciation and amortization	9	62,714,607	-
Provision for inventory write down and losses	7	51,594,828	-
Interest expense	12	30,239,828	-
Retirement benefits	14	29,745,363	-
Reversal of allowance for impairment losses on receivables	6	(10,894,782)	-
Interest income	5	(668,432)	-
Operating income (loss) before working capital changes		1,178,088,722	(757,510)
Decrease (increase) in:			
Trade and other receivables		(34,571,955)	-
Merchandise inventories		586,640,880	-
Other current assets		(755,726,076)	-
Increase in trade and other payables		157,027,599	757,510
Net cash generated from operations		1,131,459,170	-
Income tax paid		(154,388,188)	-
Interest received		668,432	-
Net cash provided by operating activities		977,739,414	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in other noncurrent assets		(151,026,332)	-
Additions to:			
Property and equipment	9	(64,796,579)	-
Computer software	10	(10,985,329)	-
Cash used in investing activities		(226,808,240)	-

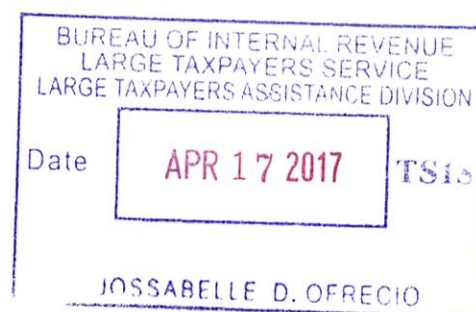
(Forward)



	Note	2016 (One Year)	2015 (One month)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash transferred from Parent Company	4	₱199,731,283	₱-
Payments of:			
Long-term debt		(173,846,153)	-
Interest		(30,239,828)	-
Net payments of short-term debt		(158,504,383)	-
Proceeds from subscriptions of capital stock	15	-	50,000,000
Net cash provided by (used in) financing activities		(162,859,081)	50,000,000
<b>NET INCREASE IN CASH</b>		<b>588,072,093</b>	<b>50,000,000</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>50,000,000</b>	<b>-</b>
<b>CASH AT END OF YEAR</b>	5	<b>₱638,072,093</b>	<b>₱50,000,000</b>
<b>NONCASH INVESTING ACTIVITY</b>			
Net assets transferred from Parent Company in exchange for shares of stock of the Company, net of cash transferred of ₱199,731,283	4	₱2,456,086,633	₱-

See accompanying Notes to Financial Statements.

\* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and started commercial operations on April 1, 2016.



**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
**(A Subsidiary of WILCON CORPORATION Doing Business under the**  
**Name and Style of WILCON CITY CENTER)**

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**NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company and formerly Wilcon Depot, Inc.), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 17, 2015. The change in corporate name of the Company was approved by the SEC on April 29, 2016. The Company is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail.

The Company started its commercial operations on April 1, 2016.

The Company is a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER (the Parent Company and formerly WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER), a holding company incorporated in the Philippines. The Parent Company is previously engaged in the same line of business as the Company. The ultimate parent company is LIAM ROS HOLDINGS INC., an entity incorporated in the Philippines and is a holding company.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Parent Company approved the transfer of its Trading Business, including the related assets and liabilities, to the Company in exchange for shares of stock of the Company. On the same date, the BOD and stockholders of the Company approved the acquisition and receipt of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of the Company and the increase in authorized capital stock were approved by the SEC on November 15, 2016 (see Notes 4 and 15).

The transfer of net assets, assessed to be tax free exchange, was approved by the Bureau of Internal Revenue (BIR) on January 26, 2017.

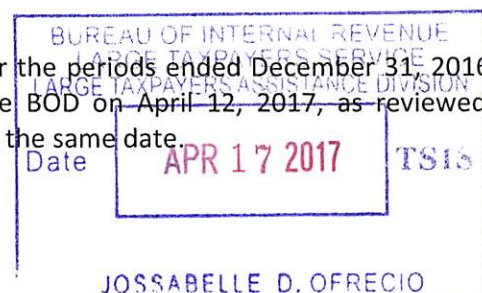
On September 13, 2016, the BOD and stockholders of the Company authorized the Company to undertake an initial public offering of its shares with the Philippine Stock Exchange, Inc. (PSE). Subsequently, on February 23 and March 8, 2017, the SEC and the PSE, respectively, approved the Company's application for initial public offering.

The shares of stock of the Company are officially listed in the PSE on March 31, 2017. The Company listed 1,393,906,200 common shares at an offer price of ₱5.05 per share.

The registered office address of the Company is at No. 90 E. Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City.

**Approval of the Financial Statements**

The financial statements of the Company as at and for the periods ended December 31, 2016 and 2015 were approved and authorized for issue by the BOD on April 12, 2017, as reviewed and recommended for approval by the Audit Committee on the same date.



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## 2. Summary of Significant Accounting Policies

### **Basis of Preparation and Statement of Compliance**

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including the SEC provisions.

The significant accounting policies that have been used in the preparation of the financial statements have been consistently applied to all the years presented, unless otherwise stated.

### **Measurement Bases**

The financial statements have been presented in Philippine Peso, which is the functional currency of the Company. All amounts are in absolute values, unless otherwise stated.

The financial statements of the Company have been prepared on the historical cost basis of accounting. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for incurring a liability.

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 transaction date. 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 market for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the 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.



Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3, Significant Accounting Judgments, Estimates and Assumptions
- Note 24, Fair Value of Financial Instruments

#### **Adoption of New and Amended PFRS**

The Company adopted the following new and amended PFRS effective January 1, 2016 as summarized below.

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, presumptions can be rebutted in certain limited circumstances.
- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where the liabilities arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

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

#### **New and Amended PFRS Not Yet Adopted**

Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2017 –

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains

requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken - the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary to have an objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual period beginning on or after January 1, 2019 –

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company, except for PFRS 9 and PFRS 16. Additional disclosures will be included in the financial statements, as applicable.

The Company anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Company's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

### **Financial Assets and Liabilities**

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

**Initial Recognition.** Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Transaction costs are included in the initial measurement of all financial instruments, except for financial instruments classified as fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities.

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

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

The Company classifies its financial assets into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. The Company classifies its financial liabilities as either financial liabilities at FVPL or other financial liabilities.

The classification of financial instruments depends on the purpose for which these were acquired and whether these are quoted in an active market. The Company determines the classification of the financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at December 31, 2016 and 2015.

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

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

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

Cash, trade and other receivables, container deposits (presented as part of "Other current assets") and security, rental and electricity deposits and refundable cash bonds (presented as part of "Other noncurrent assets") are included in this category.

*Other Financial Liabilities.* Other financial liabilities pertain to financial liabilities that are not held for trading and are not designated at FVPL upon the inception of the liability. These include liabilities arising from operating and financing activities.

Payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to nominal amount.

The short-term and long-term debts and trade and other payables (excluding statutory liabilities) are included in this category.

### **Impairment of Financial Assets**

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

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

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, or the increasing probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the Company of financial assets with similar credit risk and characteristics and that Company of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized are not included in a collective assessment of impairment. The impairment assessment is performed at the end of each reporting period. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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



### **Derecognition of Financial Assets and Liabilities**

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

- the rights to receive cash flows from the asset has expired; or
- the 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 Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and benefits of the asset, or (b) has neither transferred nor retained substantially all the risks and benefits of the asset, but has transferred control over the asset.

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

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

### **Offsetting of Financial Instruments**

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

### **Merchandise Inventories**

Merchandise inventories are valued at the lower of cost and net realizable value. Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the period when the related revenue is recognized.

### **Other Current Assets**

Other current assets mainly consist of input value-added tax (VAT), deferred input VAT, container deposits, and prepaid expenses.

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

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority; or
- receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the statement of financial position.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold, wherein the suppliers' invoices are received consequently. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Prepaid Expenses.* Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Container Deposits.* Container deposits qualify as financial assets and are disclosed under financial instruments.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the asset has been put into operations, such as repairs and maintenance, are normally recognized as expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Construction in progress represents structures under construction and is stated at cost. Cost includes costs of construction, labor and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization are computed using the straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Leasehold improvements	5 or term of lease, whichever is shorter
Furniture and equipment	5
Transportation equipment	5

The estimated useful lives and depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date to ensure that such years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

**Other Noncurrent Assets**

Other noncurrent assets comprise of security, rental and electricity deposits, refundable cash bonds and computer software. These, except advance rental and computer software, qualify as financial assets and are disclosed under financial instruments.

*Security and Rental Deposits.* Security and rental deposits represent deposits made in relation to the lease agreements entered into by the Company. These are carried at cost less any impairment in value, and will generally be returned and applied at the end of the lease term.

*Electricity Deposits.* Electricity deposits are carried at cost less any impairment in value, and will be refunded upon termination of the contract.

*Computer Software.* Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses. Internally generated computer software, excluding capitalized development costs, is not capitalized and expenditure is charged against profit or loss in the period in which the expenditure is incurred.

Computer software is amortized over the economic useful life of eight years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method for computer software are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Gains or losses arising from disposition of computer software measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

#### **Impairment of Nonfinancial Assets**

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount. An asset's (or group of assets') recoverable amount is the higher of an asset's fair value less cost 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 group of assets. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior period. A reversal of an impairment loss is recognized immediately in profit or loss.

Nonfinancial assets include property and equipment and computer software.

#### **Equity**

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

*Retained Earnings (Deficit).* Retained earnings (deficit) represent the cumulative balance of net income or loss.

*Other Comprehensive Income (Loss).* Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period. Other comprehensive loss pertains to remeasurement loss on retirement liability.

#### **Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized.

*Net Sales.* Revenue is recognized when the significant risks and benefits of ownership of the goods have passed to the buyer, which is normally upon delivery, and is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and unearned revenue from loyalty program.

The award credits from the loyalty program are identifiable component of sale transactions in which these are granted. The fair value of the consideration received or receivable in respect to the sale is allocated between the award credits and the other components of the sale. The Company recognizes the consideration received allocated to award credits as sale when award credits are redeemed and it fulfills its obligations to supply the award credits. The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number that are expected to be redeemed. Any unredeemed award credits as at reporting date are recognized as unearned revenue included under "Trade and other payables" account in the statement of financial position.

*Rent Income.* Revenue arising from rentals of property is recognized on a straight-line basis over the lease term.

*Interest Income.* Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

*Other Income.* Revenue is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

#### **Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss upon receipt of goods, utilization of services or at the date the costs and expenses are incurred.

#### **Employee Benefits**

*Short-term Employee Benefits.* The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the period. A liability is also recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

*Retirement Benefits.* Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

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

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

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

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

### **Leases**

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception on the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;  
or
- d. There is substantial change to the asset.

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

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

### **Income Taxes**

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

*Deferred Tax.* Deferred tax is provided 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 tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

#### **Earnings (Loss) per Share**

The Company presents basic and diluted earnings (loss) per share. Basic earnings (loss) per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated in the same manner, adjusted for the effects of all dilutive potential common shares.

The Company has no dilutive potential common shares.

#### **Related Party Relationship and Transactions**

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

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

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

#### **Segment Reporting**

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

For purposes of management reporting, the Company has only one reportable operating segment, which is the Trading Business. The Company has only one geographical segment as all of its assets are located in the Philippines. The Company operates and derives all its revenue from domestic operations.

#### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

#### **Contingencies**

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

#### **Events after the Reporting Date**

Events after the reporting date that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements when material. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

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

The preparation of the financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates are based on management's evaluation of relevant facts and circumstances as of the date of the comparative financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

#### **Judgments**

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

*Determining the Operating Segments.* Determination of operating segments is based on the information about components of the Company that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance. The Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the



absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

The Company has only one reportable operating segment which is the Trading Business, and one geographical segment as all of the assets are located in the Philippines. The Company operates and derives all its revenue from domestic operations. Thus, no further disclosures of operating and geographical segments are necessary.

*Determining the Classification of Lease Arrangements.* The Company, as a lessee, has various lease agreements with related parties and third parties for land, buildings, computer software and transportation equipment. The Company has determined that the lessor retains all significant risks and benefits of ownership over the leased properties. Accordingly, the Company accounts for the lease agreements as operating leases.

Rent expense amounted to ₱502.1 million in 2016 (see Note 20).

The Company, as a lessor, has existing lease agreements for commercial spaces, gondola lightings, facade billboards, window displays and street banners. The Company has determined that the significant risks and benefits of ownership over the leased properties remain with the Company. Accordingly, the Company accounts for the lease agreements as operating leases.

Rent income amounted to ₱5.8 million in 2016 (see Note 20).

#### **Estimates and Assumptions**

The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results could differ from those estimates. Presented below is the relevant estimate performed by management on its financial statements.

*Determining Fair Values of Financial Instruments.* Fair value determinations for financial assets are based generally on quoted market prices. If market prices are not available, fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 24 to financial statements.

*Estimating Impairment Losses on Trade and Other Receivables (including Refundable Cash Bonds).* Impairment losses on receivables are provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses on receivables would increase the recorded expenses and decrease current assets. In addition, accounts specifically identified to be potentially uncollectible are also provided with adequate allowance.

The carrying value of trade and other receivables amounted to ₱422.6 million as at December 31, 2016 (see Note 6). Allowance for impairment losses on receivables amounted to ₱45.8 million as at December 31, 2016 (see Note 6).

As at December 31, 2016, refundable cash bonds amounting to ₱83.4 million have been assessed as unrecoverable (see Note 10). Accordingly, allowance for impairment losses amounted to ₱83.4 million as at December 31, 2016 and 2015.

*Determining Net Realizable Value of Merchandise Inventories.* The Company recognizes inventory write down and losses whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying value of merchandise inventories amounted to ₱6,575.8 million as at December 31, 2016 (see Note 7). Allowance for inventory write down and losses amounted to ₱101.7 million as at December 31, 2016 (see Note 7).

*Estimating Useful Lives of Property and Equipment and Computer Software.* The Company estimates the useful lives of property and equipment and computer software based on the years over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying value of property and equipment and computer software as at December 31, 2016 follows:

	Note	
Property and equipment	9	₱341,897,899
Computer software	10	10,555,309
		<u>₱352,453,208</u>

*Assessing Impairment of Nonfinancial Assets.* The Company assesses any impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying value of assets or group of assets may not be recoverable. Factors that the Company considered in deciding when to perform impairment review includes the following among others:

- significant under-performance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction. Recoverable amount represents the value in use, determined as the present value of estimated future cash flow expected to be generated from the continued use of the assets. The estimated cash flow are projected using growth rates based on historical experience and business plans and are discounted using pretax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit to which the assets belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2016.

The carrying values of nonfinancial assets as at December 31, 2016 assessed for possible impairment are presented below.

	Note	
Property and equipment	9	₱341,897,899
Computer software	10	10,555,309
		<u>₱352,453,208</u>

*Determining Retirement Liability.* The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 14 to financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability amounted to ₱414.6 million as at December 31, 2016 (see Note 14).

*Assessing Realizability of Deferred Tax Assets.* The Company reviews the carrying amount of deferred tax assets at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 asset to be recovered.

Deferred tax assets amounted to ₱184.3 million and ₱227,253 as at December 31, 2016 and 2015, respectively (see Note 19).

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#### 4. Transfer of the Trading Business from the Parent Company

As discussed in Note 1, the Parent Company transferred its Trading Business, including the related assets and liabilities, to the Company in exchange for the shares of stock, effective April 1, 2016.

Details of the assets and liabilities transferred to the Company are as follows:

	Note	
Cash	5	₱199,731,283
Trade and other receivables	6	377,126,849
Merchandise inventories	7	7,214,079,609
Other current assets	8	14,210,928
Property and equipment	9	339,385,907
Other noncurrent assets	10	49,403,111
Short-term debt	11	(603,504,383)
Long-term debt	12	(1,101,666,666)
Trade and other payables	13	(3,461,894,391)
Retirement liability	14	(371,054,331)
<b>Net assets transferred</b>		<b>₱2,655,817,916</b>

The transfer of net assets in exchange for shares of stock of the Company was approved by the SEC on November 15, 2016 (see Notes 1 and 15). Consequently, the Parent Company received 2,655.8 million shares of stock of the Company.

The transfer of net assets in exchange for shares of stock of the Company was acquired pursuant to Section 40(c) of the Tax Code, as amended.

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#### 5. Cash

This account consists of:

	2016	2015
Cash on hand	₱6,329,849	₱-
Cash in banks	631,742,244	50,000,000
	<b>₱638,072,093</b>	<b>₱50,000,000</b>

On April 1, 2016, the Parent Company transferred to the Company cash amounting to ₱199.7 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱668,432 in 2016 (see Note 18).

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**6. Trade and Other Receivables**

Details of this account as at December 31, 2016 are as follows:

	Note	
Trade:		
Third parties		P337,631,279
Related parties	21	100,146,597
Rental	20	15,137,938
Advances to suppliers		13,796,318
Others		1,715,832
		468,427,964
Allowance for impairment losses		(45,834,378)
		<u>P422,593,586</u>

On April 1, 2016, the Parent Company transferred to the Company trade and other receivables amounting to P377.1 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

Trade receivables are unsecured, noninterest-bearing and have credit terms of 30 to 60 days.

Rental receivables, which are collectible within one year, include receivables from the lease of gondola lightings, facade billboards, window displays and street banners (see Note 20).

Advances to suppliers pertain to advance payments on purchases of goods for trading which will be refunded or applied against billings.

Movements of allowance for impairment losses on receivables as at December 31, 2016 are as follows:

	Note	
Transferred from Parent Company		P56,729,160
Reversal	17	(51,324,964)
Provision	17	40,430,182
Balance at end of year		<u>P45,834,378</u>

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**7. Merchandise Inventories**

Details of this account as at December 31, 2016 are as follows:

At cost	P6,459,355,675
At net realizable value	116,488,226
	<u>P6,575,843,901</u>

Merchandise inventories pertain to goods being traded under the normal course of business, which include construction supplies, bathroom and kitchen supplies and equipment, furniture, among others, on wholesale and retail basis.

On April 1, 2016, the Parent Company transferred to the Company merchandise inventories amounting to ₱7,214.1 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

The cost of merchandise inventories stated at net realizable value amounted to ₱218.2 million as at December 31, 2016.

Movements of allowance for inventory write down and losses as at December 31, 2016 are as follows:

Transferred from Parent Company	₱50,056,597
Provision	51,594,828
<u>Balance at end of year</u>	<u>₱101,651,425</u>

In 2016, inventories charged to cost of sales amounted to ₱8,999.5 million (see Note 16).

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#### 8. Other Current Assets

Details of this account as at December 31, 2016 are as follows:

Input VAT	₱629,154,525
Current portion of deferred input VAT	124,614,030
Container deposits	9,034,191
Prepaid expenses	7,134,258
	<u>₱769,937,004</u>

On April 1, 2016, the Parent Company transferred to the Company other current assets amounting to ₱14.2 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

Deferred input VAT pertains to the current unamortized portion of input VAT on furniture and equipment and transportation equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

## 9. Property and Equipment

Details and movements of this account as at December 31, 2016 are as follows:

	Note	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>						
<b>Transferred from Parent</b>						
Company	4	₱31,211,210	₱198,805,682	₱-	₱109,369,015	₱339,385,907
Additions		3,003,035	56,216,580	5,576,964	-	64,796,579
Reclassification		109,369,015	-	-	(109,369,015)	-
Balance at end of period		143,583,260	255,022,262	5,576,964	-	404,182,486
<b>Depreciation and amortization for the period and balance at end of period</b>						
		9,430,748	52,463,387	390,452	-	62,284,587
<b>Net book value</b>		<b>₱134,152,512</b>	<b>₱202,558,875</b>	<b>₱5,186,512</b>	<b>₱-</b>	<b>₱341,897,899</b>

On April 1, 2016, the Parent Company transferred to the Company property and equipment with a net book value of ₱339.4 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

The depreciation and amortization in 2016 are summarized below:

	Note	
Property and equipment		₱62,284,587
Computer software	10	430,020
	17	₱62,714,607

## 10. Other Noncurrent Assets

Details of this account as at December 31, 2016 are as follows:

	Note	
Security and rental deposits	20	₱161,334,786
Noncurrent deferred input VAT		22,292,311
Electricity deposits		16,802,346
Computer software		10,555,309
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		-
		<b>₱210,984,752</b>

On April 1, 2016, the Parent Company transferred to the Company other noncurrent assets, which mainly pertain to security, rental and electricity deposits on various leases and service agreements, aggregating to ₱49.4 million, pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. These refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively. As at December 31, 2016, advance rentals to various lessors amounted to ₱64.8 million.



Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies. This will be refunded upon termination of the contract.

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2016, the refund of cash bonds is still pending with the BOC. Refundable cash bonds, net of allowance for impairment, are part of the net assets transferred by the Parent Company (see Notes 1 and 4).

Details of computer software, which pertains to payroll software, follow:

	Note	
Addition for the year and balance at end of year		₱10,985,329
Amortization for the year and balance at end of year	9	(430,020)
		₱10,555,309

#### 11. Short-term Debt

On April 1, 2016, the Parent Company assigned to the Company short-term debt amounting to ₱603.5 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

Short-term loans amounting to ₱445.0 million as at December 31, 2016 bear interest, which are being repriced monthly, ranging from 2.5% to 2.625% in 2016.

Interest expense amounted to ₱10.1 million in 2016 (see Note 12).

#### 12. Long-term Debt

Details of long-term debt as at December 31, 2016 are as follows:

	Terms	Principal	Outstanding Balance
Loan 1	Quarterly installment payment until December 2019	₱500,000,000	₱300,000,000
Loan 2	Quarterly installment payment until March 2020	320,000,000	280,000,000
Loan 3	Monthly installment payment until August 2021	210,000,000	150,769,231
Loan 4	Monthly installment payment until August 2021	170,000,000	122,051,282
Loan 5	Monthly installment payment until March 2018	100,000,000	75,000,000
		₱1,300,000,000	927,820,513
Current portion			(278,461,539)
Noncurrent portion			₱649,358,974

On April 1, 2016, the Parent Company assigned to the Company long-term debt amounting to ₱1,101.7 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

The loans bear 2.5% interest in 2016.

Interest expense in 2016 is summarized below:

	Note	
Long-term debt		₱20,169,546
Short-term debt	11	10,070,282
		<u>₱30,239,828</u>

As at December 31, 2016, certain loans are collateralized by property and equipment and investment properties of the Parent Company with a carrying value of ₱791.8 million and ₱725.2 million, respectively.

The maturities of the long-term debt as at December 31, 2016 are as follows:

Less than one year	₱278,461,539
Between one to two years	516,923,077
Between two to five years	132,435,897
	<u>₱927,820,513</u>

### 13. Trade and Other Payables

Details of this account as at December 31, 2016 are as follows:

	Note	
Trade:		
Third parties		₱2,307,558,266
Related parties	21	901,164,379
Accrued expenses:		
Utilities	21	62,536,306
Rent	20	42,680,810
Trucking services		16,237,760
Others		38,184,017
Advances from customers		151,970,218
Nontrade		39,524,714
Others		59,823,030
		<u>₱3,619,679,500</u>

As at December 31, 2015, accrued expenses, which pertain to accrual of taxes and professional fees, amounted to ₱757,510.

On April 1, 2016, the Parent Company assigned to the Company trade and other payables amounting to ₱3,461.9 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 4).

Trade payables and accrued expenses are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers. Refundable deposits amounted to ₱87.1 million as at December 31, 2016.

Nontrade payables pertain to unpaid advertising and promotions and transportation and travel which, are payable in the succeeding month.

Accrued expenses refer to accruals for utilities, trucking services, postage and telecommunications, outside services, salaries and wages and other expenses incurred which are payable in the succeeding month.

Others pertain to unearned revenue on loyalty program, unredeemed gift certificates, withholding taxes and statutory obligations.

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#### 14. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering all of its eligible employees. The latest actuarial valuation report was dated as at September 30, 2016.

Pursuant to the transfer of the Trading Business to the Company, effective April 1, 2016, the Parent Company transferred most of its employees to the Company (see Note 1). Accordingly, retirement benefits accruing to these employees were transferred to the Company amounting to ₱371.1 million (see Note 4).

Retirement benefits, which pertain to the current service cost amounted to ₱29.7 million in 2016.

The changes in the present value of the defined benefit obligation as at December 31, 2016 are as follows:

	Note	
Transferred from Parent Company	4	₱371,054,331
Retirement benefits		29,745,363
Remeasurement loss		13,771,893
<b>Balance at end of year</b>		<b>₱414,571,587</b>

The remeasurement loss recognized in other comprehensive loss in 2016 follows:

	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
<b>Remeasurement loss for the year and balance at end of year</b>	<b>(₱13,771,893)</b>	<b>₱4,131,568</b>	<b>(₱9,640,325)</b>

The principal actuarial assumptions used to determine the retirement liability as at December 31, 2016 are as follows:

Discount rate	4.65%
Annual salary increase rate	8.00%

Sensitivity analysis on retirement liability for 2016 is as follows:

	Basis Points	Amount
Discount rate	+100	(₱71,825,943)
	-100	91,543,937
Salary rate	+100	83,336,718
	-100	(67,646,560)
Turnover rate	0%	132,750,497

As at December 31, 2016, the expected future benefits payments are as follow:

Year	Amount
2017	₱15,600,000
2018	7,344,000
2019	—
2020	382,395
2021	4,109,643
2022 to 2026	38,623,444
	<b>₱66,059,482</b>

## 15. Equity

Details of capital stock are as follow:

	2016		2015	
	Number of Shares	Amount	Number of Shares	Amount
<b>Authorized - at ₱1 a share</b>				
Balance at beginning of period	200,000,000	₱200,000,000	—	₱—
Increase	4,800,000,000	4,800,000,000	200,000,000	200,000,000
Balance at end of period	<b>5,000,000,000</b>	<b>₱5,000,000,000</b>	200,000,000	₱200,000,000
<b>Issued and outstanding:</b>				
Balance at beginning of period	50,000,000	₱50,000,000	—	₱—
Issuances	2,655,817,916	2,655,817,916	50,000,000	50,000,000
Balance at end of period	<b>2,705,817,916</b>	<b>₱2,705,817,916</b>	50,000,000	₱50,000,000

On April 1, 2016, the Company's BOD and stockholders approved the increase in authorized capital stock of the Company from ₱200.0 million, consisting of 200,000,000 shares of common stock with par value of ₱1.00 per share, to ₱5,000.0 million, consisting of 5,000,000,000 shares of common stock with par value of ₱1.00 per share.

On the same date, the Parent Company subscribed to 2,655.8 million shares of stock of the Company in exchange for the net assets of its Trading Business amounting to ₱2,655.8 million determined as at March 31, 2016 (see Notes 1 and 4).

On November 15, 2016, the SEC approved the increase in authorized capital stock and the transfer of net assets in exchange for shares of stock of the Company (see Notes 1 and 4).

## 16. Cost of Sales

Details of cost of sales in 2016 are as follows:

	Note	
Inventories transferred	4	₱7,214,079,609
Net purchases		8,361,249,384
Goods available for sale		15,575,328,993
Merchandise inventories at end of period	7	(6,575,843,901)
		<b>₱8,999,485,092</b>

## 17. Operating Expenses

This account consists of:

	Note	2016 (One Year)	2015 (One Month)
Salaries, wages and employees' benefits		<b>₱506,252,125</b>	₱-
Rent	20	<b>502,084,363</b>	-
Outsourced services		<b>310,848,721</b>	-
Utilities		<b>258,233,463</b>	-
Trucking services		<b>192,066,482</b>	-
Taxes and licenses		<b>115,227,877</b>	707,510
Credit card charges		<b>99,176,655</b>	-
Security services		<b>84,358,542</b>	-
Depreciation and amortization	9	<b>62,714,607</b>	-
Advertising and promotions		<b>42,734,794</b>	-
Supplies		<b>35,583,411</b>	-
Repairs and maintenance		<b>33,054,848</b>	-
Postage, telephone and telegraph		<b>17,971,279</b>	-
Reversal of allowance for impairment losses on receivables	6	<b>(10,894,782)</b>	-
Fuel and oil		<b>8,061,465</b>	-
Transportation and travel		<b>6,642,676</b>	-
Donations and contributions		<b>5,604,997</b>	-
Professional fees		<b>5,573,013</b>	50,000
Others		<b>11,702,120</b>	-
		<b>₱2,286,996,656</b>	<b>₱757,510</b>

## 18. Other Income

Other income in 2016 is consists of:

	Note	
Rent	20	₱5,768,648
Interest	5	668,432
Others - net		27,226,012
		<b>₱33,663,092</b>

Rent income pertains to lease of gondola lightings, facade billboards, window displays and street banners.

Other income includes amounts charged to and from the suppliers for the use of billboards and signage, office supplies and other reimbursable costs.

## 19. Income Tax

The current income tax expense in 2016 amounting to ₱308.5 million represents regular corporate income tax. There is no current income tax expense in 2015 because the Company is in a taxable loss position.

The Company will be subject to minimum corporate income tax in the taxable year 2019, which is the fourth taxable year immediately following the year of the Company's registration with the BIR on December 17, 2015.

The reconciliation between income tax expense (benefit) at statutory tax rate and income tax expense (benefit) presented in the statements of comprehensive income is as follows:

	2016 (One Year)	2015 (One Month)
Income tax expense (benefit) at statutory rate	₱304,607,193	(₱227,253)
Income tax effects of:		
Effect of net assets transferred	(174,032,434)	-
Stock transaction costs	(1,876,945)	-
Interest income already subjected to final tax	(200,530)	-
Nondeductible expenses	82,718	-
	<b>₱128,580,002</b>	<b>(₱227,253)</b>

Net deferred tax assets relate to the tax effect of the NOLCO and temporary differences as follows:

	2016	2015
Deferred tax assets:		
Retirement liability	₱124,371,476	₱-
Allowance for inventory write down and losses	30,495,428	-
Allowance for impairment of refundable cash bonds	25,022,980	-
Allowance for impairment losses on receivables	13,750,313	-
Unearned revenue from loyalty program	8,227,996	-
Accrued rent on straight-line basis	1,822,779	-
NOLCO	-	227,253
	<b>203,690,972</b>	<b>227,253</b>
Deferred tax liability -		
Advance rentals	(19,429,200)	-
	<b>₱184,261,772</b>	<b>₱227,253</b>

NOLCO incurred in 2015 amounting to ₱757,510 was applied in 2016.

The presentation of net deferred tax assets are as follows:

	Note	2016	2015
Through profit or loss		<b>₱180,130,204</b>	<b>₱227,253</b>
Through other comprehensive income	14	<b>4,131,568</b>	<b>–</b>
		<b>₱184,261,772</b>	<b>₱227,253</b>

## 20. Leases

### *The Company as a Lessee*

The Company has various lease agreements with the related parties and third parties for the use of land, buildings, transportation equipment and computer software for a period of one to fifteen years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

Security and rental deposits, which pertains to refundable deposit and advance rentals, amounted to ₱161.3 million as at December 31, 2016 (see Note 10). The refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively. Accrued rent as at December 31, 2016 amounted to ₱42.7 million (see Note 13).

Rent expense amounted to ₱502.1 million in 2016 (see Note 17).

Future minimum rental payments under operating lease as at December 31, 2016 are as follows:

Within one year	<b>₱636,895,911</b>
After one year but not more than five years	<b>1,473,625,700</b>
More than five years	<b>113,199,816</b>
	<b>₱2,223,721,427</b>

### *The Company as a Lessor*

The Company has existing lease agreements on commercial spaces, gondola lightings, facade billboards, window displays and street banners with lease terms of less than a year. The leases are renewable upon mutual agreement by the parties.

Rent income amounted to ₱5.8 million in 2016 (see Note 18). Rental receivables amounted to ₱15.1 million as at December 31, 2016 (see Note 6).



## 21. Related Party Transactions and Balances

The Company, in the normal course of business, has various transactions and balances with its related parties in 2016, as described below.

Related Party	Nature of Transactions	Transactions during the Period	Trade Receivables (see Note 6)	Trade Payables (see Note 13)	Accrued Expenses (see Note 13)
Parent Company	Transfer of trading business	₱2,655,817,916	₱-	₱748,555,638	₱-
	Noninterest-bearing advances	599,471,322	-	-	-
	Rental expenses	323,178,971	-	-	31,740,971
	Purchases of goods	50,604,575	-	37,169,225	-
	Reimbursement of expenses	250,276,813	-	-	62,536,306
	Sale of goods	4,420,288	1,499,537	-	-
Entities under Common Control*	Purchases of goods	1,414,492,237	-	115,439,516	-
	Trucking services	112,592,100	-	-	-
	Rental expenses	55,072,026	-	-	-
	Sale of goods	26,337,166	98,647,060	-	-
Stockholder	Rental expenses	10,939,839	-	-	10,939,839
			₱100,146,597	₱901,164,379	₱105,217,116

\*Certain entities under common control were related parties up to September 2016.

No related party transactions in 2015 and no outstanding balances with related parties as at December 31, 2015.

Transactions with related parties are as follows:

- Purchases and sales of merchandise inventories and trucking services with Parent Company and entities under common control. Purchases from entities under common control are subject to rebates based on certain percentage of sales from goods purchased from entities under common control.
- Various existing lease agreements with the Parent Company and related parties for the use of land, buildings, transportation equipment and computer software for a period of one to five years (see Note 20).
- Power and electricity, water, postage, telephone and telegraph billed by the Parent Company to the Company at cost plus mark-up.

Outstanding balance of trade and nontrade payables are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

### Compensation of Key Management Personnel

Compensation of key management personnel by benefit type, are as follows:

Short-term employee benefits	₱28,963,361
Retirement benefits	52,756,009
	<u>₱81,719,370</u>

## 22. Earnings (Loss) per Share

Basic and dilutive earnings (loss) per share were computed as follows:

	2016	2015
Net income (loss)	P886,777,308	(P530,257)
Divided by the weighted average number of outstanding shares	2,041,863,437	50,000,000
	P0.43	(P0.01)

## 23. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, trade receivables and payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), and short-term and long-term debt. The main purpose of these financial instruments is to fund the Company's operations.

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial market.

The main financial risks arising from the financial instruments are credit risk, liquidity risk and interest rate risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

**Credit Risk.** Credit risk is the risk that the Company will incur a loss because its counterparties fail to discharge their contractual obligations. Receivables are monitored on an on-going basis with the result that the Company's exposure to possible losses is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	2016	2015
Cash in banks	P631,742,244	P50,000,000
Trade and other receivables	468,427,964	-
Container deposits	9,034,191	-
Security and rental deposits*	96,570,786	-
Electricity deposits	16,802,346	-
Refundable cash bonds	83,409,934	-
	P1,305,987,465	P50,000,000

\* Excluding advance rentals amounting to P64.8 million.

The Company does not have major concentration of credit risk.

The table below summarizes the Company's financial assets as at December 31, 2016 based on aging:

	Neither Past Due Nor Impaired	Past Due but not Impaired			Total
		Less than One Year	One Year and Over	Past Due and Impaired	
Cash	₱638,072,093	₱-	₱-	₱-	₱638,072,093
Trade and other receivables	127,622,141	191,623,004	103,348,441	45,834,378	468,427,964
Container deposits	9,034,191	-	-	-	9,034,191
Security and rental deposits*	96,570,786	-	-	-	96,570,786
Electricity deposits	16,802,346	-	-	-	16,802,346
Refundable cash bonds	-	-	-	83,409,934	83,409,934
	₱888,101,557	₱191,623,004	₱103,348,441	₱129,244,312	₱1,312,317,314

\* Excluding advance rentals amounting to ₱64.8 million.

As at December 31, 2015, cash in bank amounting to ₱50.0 million is neither past due nor impaired. "Past due but not impaired" are items with history of frequent defaults, nevertheless, the amounts are still collectible.

The table below shows the credit quality of the Company's financial assets as at December 31, 2016 that are neither past due nor impaired based on their historical experience with the counter parties.

	High Grade	Standard Grade	Substandard Grade	Total
Cash	₱638,072,093	₱-	₱-	₱638,072,093
Trade and other receivables	-	127,622,141	-	127,622,141
Container deposits	-	-	9,034,191	9,034,191
Security and rental deposits*	-	96,570,786	-	96,570,786
Electricity deposits	-	16,802,346	-	16,802,346
	₱638,072,093	₱240,995,273	₱9,034,191	₱888,101,557

\* Excluding advance rentals amounting to ₱64.8 million.

As at December 31, 2015, cash in banks amounting to ₱50.0 million is categorized under high grade.

High grade receivables pertain to those receivables from counter parties that consistently pay before the maturity date. Standard grade includes receivables that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

**Liquidity Risk.** Liquidity risk is the risk that the Company will not be able to settle its obligations when these fall due. The Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2016 based on contractual undiscounted payments.

	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱-	₱445,000,000	₱-	₱-	₱445,000,000
Trade and other payables*	-	-	3,559,856,470	-	3,559,856,470
Long-term debt	20,000,000	64,615,385	193,846,154	649,358,974	927,820,513
	₱20,000,000	₱509,615,385	₱3,753,702,624	₱649,358,974	₱4,932,676,983

\* Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱59.8 million.

As at December 31, 2015, trade and other payables amounting to ₱707,510 were due within three months.

As at December 31, 2016 and 2015, the Company had at its disposal cash amounting ₱638.1 million and ₱50.0 million, respectively. The Company's holding of cash, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

*Interest Rate Risk.* Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

The following table demonstrates the sensitivity of income before income tax due to a reasonably possible change in interest rate, with all other variables held constant.

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
December 31, 2016	0.30%	(₱106,519)
	(0.30%)	106,519

#### **Capital Management**

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

The Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Total debt includes total liabilities and deposits for future stock subscriptions.

Total equity includes capital stock, other comprehensive loss and retained earnings (deficit). The debt-to-equity ratio as at December 31 is as follows:

	2016	2015
Total debt	₱5,561,166,365	₱757,510
Total equity	3,582,424,642	49,469,743
Debt-to-equity	1.55:1	0.02:1

## 24. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of the financial instruments as at December 31, 2016:

	Carrying Amount	Fair Value
<b>Financial Assets</b>		
Cash	₱638,072,093	₱638,072,093
Trade and other receivables	422,593,586	422,593,586
Container deposits	9,034,191	9,034,191
Security and rental deposits*	96,570,786	85,685,553
Electricity deposits	16,802,346	16,802,346
	<b>₱1,183,073,002</b>	<b>₱1,172,187,769</b>
<b>Financial Liabilities</b>		
Short-term debt	₱445,000,000	₱445,000,000
Trade and other payables**	3,559,856,470	3,559,856,470
Long-term debt	927,820,513	927,820,513
	<b>₱4,932,676,983</b>	<b>₱4,932,676,983</b>

\* Excluding advance rentals amounting to ₱64.8 million.

\*\* Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱59.8 million.

As at December 31, 2015, the carrying amount of cash in bank and accrued expenses, amounting to ₱50.0 million and ₱757,510, respectively, approximate their values.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

*Cash, trade and other receivables, due from Parent Company, container, security, rental and electricity deposits, refundable cash bonds, short-term debt and trade and other payables.* The carrying amounts of cash, trade and other receivables, due from a related party, container deposits, short-term borrowings, and trade and other payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposit are under Level 2 of the fair value measurements hierarchy for financial instruments.

*Long-term debt.* The carrying amount of long-term debt approximates its fair value because the interest rate that it carries approximates the interest rate for comparable instrument in the market.

In 2016, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.





**REPORT OF INDEPENDENT AUDITOR  
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company and formerly Wilcon Depot, Inc.), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2016, on which we have rendered our report dated April 12, 2017.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has six stockholders owning 100 or more shares each.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

BIR Accreditation No. 08-005144-6-2017

Valid until January 13, 2020

PTR No. 5908527

Issued January 3, 2017, Makati City

April 12, 2017

Makati City, Metro Manila





**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT AND WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2016, and have issued our report dated April 12, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2016 is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Securities Regulations Code Rule 68, as amended, and is not 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 state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

**HAYDEE M. REYES**

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

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BIR Accreditation No. 08-005144-6-2017

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Issued January 3, 2017, Makati City

April 12, 2017

Makati City, Metro Manila





**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT AND WILCON HOME ESSENTIALS**  
**(A Subsidiary of WILCON CORPORATION**  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Deficit at beginning of period as shown in the financial statements	(P530,257)
Net income during the period closed to retained earnings	886,777,308
Deferred tax assets related to temporary differences that flow through profit or loss	(180,130,204)

---

**Retained earnings as at end of year available for dividend declaration** **P706,116,847**

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Reconciliation:

Retained earnings at end of period as shown in the financial statements	P886,247,051
Deferred tax assets related to temporary differences that flow through profit or loss	(180,130,204)

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**Retained earnings as at end of year available for dividend declaration** **P706,116,847**

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**REPORT OF INDEPENDENT AUDITOR  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT AND WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2016, and have issued our report dated April 12, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules listed in the Index to Financial Statements, Supplementary Schedules on Financial Soundness Indicators and Corporate Structure are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, 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 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**

**HAYDEE M. REYES**

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

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**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT AND WILCON HOME ESSENTIALS**  
**(A Subsidiary of WILCON CORPORATION**  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

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**Index to Financial Statements**  
**As at and For the Year Ended December 31, 2016**

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Schedule	Description	Page
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B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	N/A
D	Intangible Assets - Other Assets	3
E	Long-term Debt	4
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	5

N/A - Not applicable

**SCHEDULE A**

**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT AND WILCON HOME ESSENTIALS**  
**(A Subsidiary of WILCON CORPORATION**  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

**FINANCIAL ASSETS**  
**AS AT DECEMBER 31, 2016**  
*Amounts in Thousands*

Description	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
<b>Cash in Banks</b>			
Banco de Oro (BDO)	–	P211,835	P297
Rizal Commercial Banking Corporation (RCBC)	–	151,926	153
Metropolitan Bank and Trust Companies (MB)	–	104,696	77
China Banking Corporation (CBC)	–	75,695	30
Asia United Bank (AUB)	–	49,249	17
Bank of the Philippine Island (BPI)	–	30,541	85
Philippine National Bank (PNB)	–	7,800	9
		<b>631,742</b>	<b>668</b>
<b>Trade and Other Receivables</b>			
Trade receivables	–	391,982	–
Rental receivable	–	15,138	–
Others	–	15,512	–
		<b>422,632</b>	<b>–</b>
<b>Other Current Assets*</b>			
Container deposits	–	9,034	–
<b>Other Noncurrent Assets**</b>			
Security and rental deposits	–	96,571	–
Electricity deposits	–	16,802	–
		<b>113,373</b>	<b>–</b>
		<b>P1,176,781</b>	<b>P668</b>

\* Excluding input VAT, deferred input VAT and prepaid expenses amounting to P760.9 million.

\*\*Excluding noncurrent deferred input VAT, advance rentals and computer software amounting to P97.6 million.



**SCHEDULE D**

**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT AND WILCON HOME ESSENTIALS**  
 (A Subsidiary of WILCON CORPORATION)

Doing Business under the Name and Style of WILCON CITY CENTER)

**INTANGIBLE ASSETS - OTHER NONCURRENT ASSETS**

**AS AT DECEMBER 31, 2016**

*Amounts in Thousands*

Description	Balance at	Additions at	Charged to	Charged to	Other Changes	Balance at End
	Beginning of		Cost			
	Period	Cost	Expenses	Accounts	(Deductions)	of Period
	P-	P10,985	(P430)	P-	P-	P10,555
Computer Software	P-	P10,985	(P430)	P-	P-	P10,555

**SCHEDULE E**

**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT AND WILCON HOME ESSENTIALS**  
**(A Subsidiary of WILCON CORPORATION**  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

**LONG-TERM DEBT**

**AS AT DECEMBER 31, 2016**

*Amounts in Thousands*

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related Statement of Financial Position	Amount shown under Caption of "Long-term debt - net of current portion" in related Statement of Financial Position
<b>Secured promissory notes:</b>			
Bank of the Philippine Islands	P500,000	P100,000	P200,000
Rizal Commercial Banking Corporation	320,000	80,000	200,000
Banco de Oro Unibank, Inc.	210,000	32,308	118,462
Banco de Oro Unibank, Inc.	170,000	26,154	95,897
Allied Banking Corporation	100,000	40,000	35,000
	<b>P1,300,000</b>	<b>P278,462</b>	<b>P649,359</b>



**SCHEDULE H**

**WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT AND WILCON HOME ESSENTIALS  
(A Subsidiary of WILCON CORPORATION)**

**Doing Business under the Name and Style of WILCON CITY CENTER)**

**CAPITAL STOCK**

**AS AT DECEMBER 31, 2016**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Conversion, and other Rights	Number of Shares held by		
				Related Parties	Directors and Officers	Others
Common shares - at ₱1 par value	5,000,000,000	2,705,817,916	-	2,680,317,916	25,500,000	-

**WILCON DEPOT, INC.**  
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**(A Subsidiary of WILCON CORPORATION**  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

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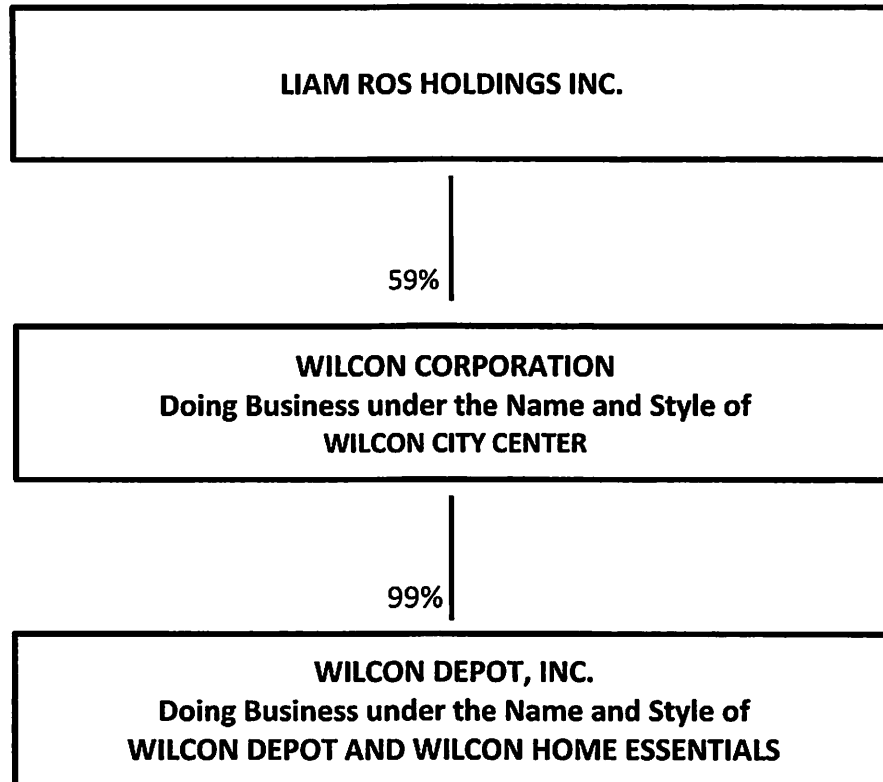
**FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2016 AND AS AT AND**  
**FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015**

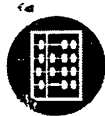
	December 31, 2016	December 31, 2015
<b>Liquidity Ratio</b>		
Current ratio	<b>1.87:1</b>	66.01:1
Quick ratio	<b>0.24:1</b>	66.01:1
<b>Solvency Ratio</b>		
Debt to equity ratio	<b>1.55:1</b>	0.02:1
<b>Profitability Ratio</b>		
Return on assets	<b>19.29%</b>	(2.11%)
Return on equity	<b>24.75%</b>	(1.07%)
Book value per share	<b>₱1.32</b>	₱0.99
Gross margin	<b>26.82%</b>	—%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	<b>9.01%</b>	—%
Net income margin	<b>7.21%</b>	—%

**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT AND WILCON HOME ESSENTIALS**  
**(A Subsidiary of WILCON CORPORATION**  
**Doing Business under the Name and Style of WILCON CITY CENTER)**

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**CORPORATE STRUCTURE**  
**AS AT DECEMBER 31, 2016**





**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
WILCON DEPOT, INC.  
Doing Business under the Name and Style of  
WILCON DEPOT and WILCON HOME ESSENTIALS  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the year ended December 31, 2016, and have issued our report dated April 12, 2017. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the management of the Company. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until December 31, 2018

SEC Accreditation No. 0663-AR-2 Group A

Valid until April 14, 2017

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Valid until January 13, 2020

PTR No. 5908527

Issued January 3, 2017, Makati City

April 12, 2017

Makati City, Metro Manila



PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
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: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: 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			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

**WILCON DEPOT, INC.**  
**Doing Business under the Name and Style of**  
**WILCON DEPOT and WILCON HOME ESSENTIALS**  
(A Subsidiary of WILCON CORPORATION Doing Business under the  
Name and Style of WILCON CITY CENTER)

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF**  
**EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS**  
**DECEMBER 31, 2016**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary		✓	

**Philippine Financial Reporting Standards (PFRS)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
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			✓

#### Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment 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: Investment Entities			✓
	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: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: 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	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓



PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
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	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment 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: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments 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			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

## Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

**PHILIPPINE INTERPRETATIONS - SIC**

<b>Interpretations</b>	<b>Title</b>	<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM – ACGR  
ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is filed for the Year ..... December 31, 2016
2. Exact Name of Registrant as Specified in its Charter .....

**WILCON DEPOT, INC.**

3. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City ..... 1110 .....  
Address of Principal Office Postal Code
4. SEC Identification Number ..... CS201524712      5.  (SEC Use Only)  
Industry Classification Code
6. BIR Tax Identification Number ..... 009-192-878
7. (02) 634-8387 .....  
Issuer's Telephone number, including area code
8. Not applicable .....  
Former name or former address, if changed from the last report

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## A. BOARD MATTERS

### 1) Board of Directors

Number of Directors per Articles of Incorporation	7
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Actual number of Directors for the year	7
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#### (a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual/Special Meeting)	No. of years served as director
William T. Belo	ED	N/A	N/A	March 30, 2016		Annual	9 months
Lorraine Belo-Cincochan	ED	N/A	N/A	March 30, 2016		Annual	9 months
Mark Andrew Y. Belo	ED	N/A	N/A	March 30, 2016		Annual	9 months
Careen Y. Belo	ED	N/A	N/A	March 30, 2016		Annual	9 months
Rosemarie B. Ong	ED	N/A	N/A	Sept 13, 2016		Special	3 months
Rolando S. Narciso	ID	N/A	N/A	Sept 13, 2016		Special	3 months
Ricardo S. Pascua	ID	N/A	N/A	Sept 13, 2016		Special	3 months

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company was listed in the Philippine Stock Exchange on March 31, 2017, beyond the period covered by this report. The Company, however, undertakes that it will comply with all of the guidelines prescribed in the Code of Corporate Governance For Publicly Listed Companies.

The Company began instituting the structures necessary to comply with the Code of Corporate Governance for Public Companies in 2016.

- (c) How often does the Board review and approve the vision and mission? Yearly

#### (d) Directorship in Other Companies

- (i) Directorship in the Company's Group<sup>2</sup>

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

<sup>2</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
William T. Belo	Wilcon Corporation	Executive/Chairman
	Anstay Realty & Development Corp.	Non-Executive
	Markeenlo Realty, Inc.	Non-Executive
	Liam Ros Holdings, Inc.	Non-Executive
	Loquor Locutus, Inc.	Non-Executive
	Lentus Lenis Inc.	Non-Executive
	Octacube Inc.	Non-Executive
	Multus Lucrum, Inc.	Non-Executive
Lorraine Belo-Cincochan	Wilcon Corporation	Executive, CFO-Treasurer
	Anstay Realty & Development Corp.	Non-Executive
	Markeenlo Realty, Inc.	Non-Executive
	Liam Ros Holdings, Inc.	Non-Executive
	Loquor Locutus, Inc.	Non-Executive
	Lentus Lenis Inc.	Non-Executive
	Octacube Inc.	Non-Executive
	Multus Lucrum, Inc.	Non Executive
Mark Andrew Y. Belo	Wilcon Corporation	Executive, President-CEO
	Anstay Realty & Development Corp.	Non-Executive
	Markeenlo Realty, Inc.	Non-Executive
	Liam Ros Holdings, Inc.	Non-Executive
	Loquor Locutus, Inc.	Non-Executive
	Lentus Lenis Inc.	Non-Executive
	Octacube Inc.	Non-Executive
	Multus Lucrum, Inc.	Non-Executive
Careen Y. Belo	Wilcon Corporation	Executive
	Anstay Realty & Development	Non-Executive



	Corp.	
	Markeenlo Realty, Inc.	Non-Executive
	Liam Ros Holdings, Inc.	Non-Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Ricardo S. Pascua (Independent Director)	Boulevard Holdings, Inc.	Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
William T. Belo	Wilcon Corporation	William T. Belo is the Chairman of Wilcon Corporation.
Mark Andrew Y. Belo	Wilcon Corporation	Mark Andrew Y. Belo is the President-CEO of Wilcon Corporation.
Lorraine Belo-Cincochan	Wilcon Corporation	Lorraine Belo-Cincochan is the Director and Treasurer of Wilcon Corporation.
Careen Y. Belo	Wilcon Corporation	Careen Y. Belo is the Director of Wilcon Corporation.

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorship in other companies
Executive Director Non-Executive Director CEO	The Chief Executive Officer ("CEO") and other executive directors may be covered by a lower indicative limit for membership in other boards. A similar limit may apply to independent or non-executive directors who, at the same time, serve as full-time executives in other corporations. In any case, the capacity of the directors to diligently and efficiently	The Board may consider the adoption of guidelines on the number of directorships that its members can hold in stock and non-stock corporations. The optimum number should take into consideration the capacity of a director to diligently and efficiently perform his duties and responsibilities.

	perform their duties and responsibilities to the boards they serve should not be compromised.	
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(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company: (as of December 31, 2016)

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
William T. Belo	5,099,997	0	0.19%
Lorraine Belo-Cincochan	5,100,000	0	0.19%
Mark Andrew Y. Belo	5,100,000	0	0.19%
Careen Y. Belo	5,100,000	0	0.19%
Rosemarie B. Ong	1	0	0.00%
Rolando S. Narciso	1	0	0.00%
Ricardo. S. Pascua	1	0	0.00%
<b>TOTAL</b>	<b>20,400,000</b>	<b>0</b>	<b>0.76%</b>

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes  No

Identify the Chair and CEO:

Chairman of the Board	William T. Belo
CEO/President	Lorraine Belo-Cincochan

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	<ol style="list-style-type: none"> <li>Presides all the meetings of the stockholders and the Board and may also call special meetings of the stockholders and the Board in accordance with the By-Laws of the Company.</li> <li>Provides leadership in the Board. The Chairman shall ensure effective functioning of the Board, including maintaining a relationship of trust with board members;</li> <li>Ensures that the Board takes an informed decision. The</li> </ol>	<p>The President, who shall be elected by the Board from among its members, shall be the Chief Executive Officer of the Company.</p> <ol style="list-style-type: none"> <li>He shall, subject to the control of the Board, have direct and immediate supervision over the long term and daily operations and management of the Company and shall execute and administer the administrative and operational policies</li> </ol>

	<p>Chairman shall ensure a sound decision making process and he should encourage and promote critical discussions and ensure that dissenting views can be expressed and discussed within the decision-making process.</p> <p>4. Ensures that the meetings of the Board are held in accordance with the Company's By-laws or as the Chairman may deem necessary;</p> <p>5. Supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO, Management and the Directors</p>	<p>approved by the Board.</p> <p>2. He shall also exercise such powers as may be vested upon him by the Board not incompatible with law or the Company's By-laws.</p> <p>3. He may, at his discretion, delegates to a Chief Operating Officer some of his responsibilities subject to such rules and limitations as the Board may prescribe.</p>
Accountabilities	See above	See above
Deliverables	<p>1. Agenda for the meetings</p> <p>Statement of Management's</p> <p>2. Responsibility for audited FS</p> <p>3. Reports required by law</p>	<p>1. Statement of Management's Responsibility for audited FS</p> <p>2. SEC Forms 17-A and 17-Q</p> <p>3. Other reports required by law</p>

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions? Based on competency and performance.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Nomination Committee shall provide shareholders with an independent and objective evaluation and assurance that the membership of the Board is competent and will foster the Company's long-term success and secure its competitiveness and review and evaluate the qualifications of all persons nominated as director and other appointments that require Board approval.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Qualification for directorship requires that the director proven to possess integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience and has a practical understanding of the business

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	A director's office is one of trust and confidence. He shall act in a manner characterized by transparency,	Same	Same

	<p>accountability and fairness, and in the best interest of the Company. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>A director shall have the following duties and responsibilities:</p> <ol style="list-style-type: none"> <li>1. Remain fit and proper for the position for the duration of his term;</li> <li>2. Conduct fair business transactions with the Company to ensure that his personal interest does not conflict with Board decisions;</li> <li>3. Act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public;</li> <li>4. Devote time and attention necessary to properly discharge their duties and responsibilities;</li> <li>5. Act judiciously and exercise independent judgment;</li> <li>6. Contribute significantly to the decision-making process of the Board;</li> <li>7. Have a working knowledge of the statutory and regulatory requirements affecting the Company, including the content of its Articles of Incorporation and By-laws, the requirements of the SEC and where applicable,</li> </ol>		
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	<p>the requirements of other regulatory agencies;</p> <p>8.Keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness; and</p> <p>9.Observe confidentiality.</p>		
Accountabilities	See above	See above	See above
Deliverables	<p>1. Exercises the power of the Board of Directors as stated in the By-laws.</p> <p>2.Executes all resolutions of the Board of Directors</p>	Exercises the power of the Board of Directors as stated in the By-laws.	<p>1. Exercises the power of the Board of Directors as stated in the By-laws.</p> <p>2. Must submit that Possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director.</p>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent director – a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director

a. Independent Director shall refer to a person who –

- 1) Is not or has not been an officer or employee of the Company, its subsidiaries, if any, or affiliates or related interests during the past three (3) years counted from the date of his election;
- 2) Is not a director or officer of the related companies of the Company's majority stockholder;
- 3) Is not a stockholder with shares of stock sufficient to elect one seat in the Board of the Company, or in any of its related companies or of its majority corporate shareholders;
- 4) Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- 5) Is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders;
- 6) Is not retained as professional adviser, consultant, agent or counsel of the Company, any of its related companies or any of its substantial shareholders either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the Company or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or

through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arm's length and could not materially interfere with or influence the exercise of his judgment;

- 7) Apart from his fees and shareholdings, has no business or relationship with the Company which could or could reasonably be perceived to materially interfere with the exercise of his independent judgment in carrying out his responsibilities as a Director.
- 8) Possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director; and
- 9) Is not a securities broker-dealer.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Company will comply with the term limits for independent directors prescribed under SEC Memorandum Circular No. 4, Series of 2017.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Rosy Chua Belo	Director	September 13, 2016	Resignation

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	Shall be elected by plurality of vote at the annual meeting of the stockholders for the year at which quorum is present. At each election for directors, every stock holder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many person as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number is shares shall equal, or by distributing such votes as the same principle among any number of candidates.	Holder of at least one (1) share of stock of the Company; At least a college graduate or has at least five (5) years experience in managing the business; At least twenty-five (25) years of age at the time of his election or appointment; Has proven to possess integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience;

		<p>has a practical understanding of the business;</p> <p>Possesses all the qualifications and none of the disqualifications of a Director at the time of his election or re-election as required under pertinent regulations;</p> <p>A member in good standing in relevant industry, business or professional organizations;</p> <p>Must have attended a special seminar on corporate governance for Board of Directors conducted by an accredited training provider of the SEC.</p>
(ii) Non-Executive Directors	<p>Shall be elected by plurality of vote at the annual meeting of the stockholders for the year at which quorum is present. At each election for directors, every stock holder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of shares shall equal, or by distributing such votes as the same principle among any number of candidates.</p>	<p>Holder of at least one (1) share of stock of the Company;</p> <p>At least a college graduate or has at least five (5) years experience in managing the business;</p> <p>At least twenty-five (25) years of age at the time of his election or appointment;</p> <p>Has proven to possess integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience; has a practical understanding of the business;</p> <p>Possesses all the qualifications and none of the disqualifications of a Director at the time of his election or re-election as required under pertinent regulations;</p> <p>A member in good standing in relevant industry, business or professional organizations;</p> <p>Must have attended a special seminar on corporate governance for Board of Directors conducted by an accredited training provider</p>

		of the SEC.
(iii) Independent Directors	Nomination of Independent Directors shall be conducted by the Nomination Committee. Election of independent director/s shall be made in accordance with standards procedures of the company or its by-laws.	<p>Holder of at least one (1) share of stock of the Company;</p> <p>At least a college graduate or has at least five (5) years experience in managing the business;</p> <p>At least twenty-five (25) years of age at the time of his election or appointment;</p> <p>Has proven to possess integrity/probity, physical/mental fitness, competence, relevant education/financial literacy/training, diligence and knowledge/experience; has a practical understanding of the business;</p> <p>Possesses all the qualifications and none of the disqualifications of a Director at the time of his election or re-election as required under pertinent regulations;</p> <p>A member in good standing in relevant industry, business or professional organizations;</p> <p>Must have attended a special seminar on corporate governance for Board of Directors conducted by an accredited training provider of the SEC.</p>
<b>b. Re-appointment</b>		
(i) Executive Directors	Same process	Same criteria as stated above
(ii) Non-Executive Directors	Same process	Same criteria as stated above
(iii) Independent Directors	Same process	Same criteria as stated above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	The Board of Directors shall be responsible for determining the existence of the ground for disqualification of the Company's director and for reporting the same.	Those convicted by final judgment or order by a competent judicial or administrative body of offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery,



		<p>falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of the Corporation Code, Securities Regulation Code and any other law administered by the SEC and any of its rules and regulations.</p> <p>Those convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>Those who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of</p>
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		<p>the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporate Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>Those who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;</p> <p>Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company;</p> <p>Those judicially declared insolvent, spendthrift or incapacitated to contract;</p> <p>Any person found guilty by</p>
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		<p>final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs 1 to 5 above; and</p> <p>Those convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years; or a violation of the Corporation Code committed within five (5) years) prior to the date of his election or appointment.</p> <p>Those convicted by final judgment of the court for violation of SEC, BIR, and other government agencies' laws, rules and regulations.</p>
(ii) Non-Executive Directors	<p>The Board of Directors shall be responsible for determining the existence of the ground for disqualification of the Company's director and for reporting the same.</p>	<p>Those convicted by final judgment or order by a competent judicial or administrative body of offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of the Corporation Code, Securities Regulation Code and any other law administered by the SEC and any of its rules and regulations.</p> <p>Those convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities</p>

		<p>Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>Those who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporate Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been</p>
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		<p>restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>Those who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;</p> <p>Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company;</p> <p>Those judicially declared insolvent, spendthrift or incapacitated to contract;</p> <p>Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs 1 to 5 above; and</p> <p>Those convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years; or a violation of the Corporation Code committed within five (5) years) prior to the date of his election or appointment.</p> <p>Those convicted by final judgment of the court for</p>
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		violation of SEC, BIR, and other government agencies' laws, rules and regulations.
(iii) Independent Directors	The Board of Directors shall be responsible for determining the existence of the ground for disqualification of the Company's director and for reporting the same.	<p>Those convicted by final judgment or order by a competent judicial or administrative body of offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices Act and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of the Corporation Code, Securities Regulation Code and any other law administered by the SEC and any of its rules and regulations.</p> <p>Those convicted by final judgment or order by a competent judicial or administrative body of any crime that (i) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (ii) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (iii) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</p> <p>Those who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from:</p>

		<p>(i) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (ii) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (iii) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (i) and (ii) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporate Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>Those who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC</p>
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		<p>or BSP, or any of its rule, regulation or order;</p> <p>Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company;</p> <p>Those judicially declared insolvent, spendthrift or incapacitated to contract;</p> <p>Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs 1 to 5 above; and</p> <p>Those convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years; or a violation of the Corporation Code committed within five (5) years) prior to the date of his election or appointment.</p> <p>Those convicted by final judgment of the court for violation of SEC, BIR, and other government agencies' laws, rules and regulations.</p>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	Same as above.	<p>Those who refuse to fully disclose the extent of their business interest or any material information when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as the refusal persists;</p> <p>Those who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all</p>



		<p>meetings, both regular and special, of the Board of Directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except when a) a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting or b) absence is due to illness, death in the immediate family or serious accident. This disqualification applies only for purposes of the immediately succeeding election.</p> <p>Those who are delinquent in the payment of their obligations as defined. This disqualification shall be in effect as long as the delinquency persists;</p> <p>Those who have been convicted by a court for offenses involving dishonesty or breach of trust such as but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Sec. 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of laws, rules and regulations, or those sentenced to serve a maximum term of imprisonment of more than</p>
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		<p>six (6) years but whose conviction has not yet become final and executory;</p> <p>Those disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations.</p> <p>Those who failed to attend the special seminar on corporate governance for Board conducted or accredited by SEC. This disqualification applies until the director concerned has attended such seminar;</p> <p>Those dismissed/terminated from employment for cause.</p> <p>Those under preventive suspension;</p> <p>Those with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director or his ability to discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</p> <p>Independent director whose beneficial equity ownership in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later</p>
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		<p>complied with.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(ii) Non-Executive Directors	Same as above.	<p>Those who refuse to fully disclose the extent of their business interest or any material information when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as the refusal persists;</p> <p>Those who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except when a) a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting or b) absence is due to illness, death in the immediate family or serious accident. This disqualification applies only</p>

		<p>for purposes of the immediately succeeding election.</p> <p>Those who are delinquent in the payment of their obligations as defined. This disqualification shall be in effect as long as the delinquency persists;</p> <p>Those who have been convicted by a court for offenses involving dishonesty or breach of trust such as but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Sec. 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of laws, rules and regulations, or those sentenced to serve a maximum term of imprisonment of more than six (6) years but whose conviction has not yet become final and executory;</p> <p>Those disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations.</p> <p>Those who failed to attend the special seminar on corporate governance for Board conducted or accredited by SEC. This disqualification applies until the director concerned has attended such seminar;</p> <p>Those dismissed/terminated from employment for cause.</p> <p>Those under preventive suspension;</p> <p>Those with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine</p>
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		<p>National Police (PNP), quasi judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director or his ability to discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</p> <p>Independent director whose beneficial equity ownership in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
(iii) Independent Directors	Same as above.	<p>Those who refuse to fully disclose the extent of their business interest or any material information when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the Securities Regulation Code and its Implementing Rules and Regulations. This disqualification shall be in effect as long as the refusal persists;</p>

		<p>Those who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the Board of Directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except when a) a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting or b) absence is due to illness, death in the immediate family or serious accident. This disqualification applies only for purposes of the immediately succeeding election.</p> <p>Those who are delinquent in the payment of their obligations as defined. This disqualification shall be in effect as long as the delinquency persists;</p> <p>Those who have been convicted by a court for offenses involving dishonesty or breach of trust such as but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of anti-graft and corrupt practices act and prohibited acts and transactions under Sec. 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees), violation of</p>
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		<p>laws, rules and regulations, or those sentenced to serve a maximum term of imprisonment of more than six (6) years but whose conviction has not yet become final and executory;</p> <p>Those disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations.</p> <p>Those who failed to attend the special seminar on corporate governance for Board conducted or accredited by SEC. This disqualification applies until the director concerned has attended such seminar;</p> <p>Those dismissed/terminated from employment for cause.</p> <p>Those under preventive suspension;</p> <p>Those with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director or his ability to discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;</p> <p>Independent director whose beneficial equity ownership in the Company or its subsidiaries and affiliates</p>
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		<p>exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.</p> <p>A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.</p>
<b>e. Removal</b>		
(i) Executive Directors	<p>1. Removal must take place either at a regular meeting of the Company or at a special meeting called for that purpose</p> <p>2. A previous notice should be provided to the stockholders or members of the intention to propose such removal at the meeting;</p> <p>3. The removal must be by a vote of the stockholder's holding or representing 2/3 of Outstanding Capital Stock;</p> <p>4. Removal may be with or without cause. Provided, that removal must always be with cause when a Director was elected the minority.</p>	
(ii) Non-Executive Directors	Same	
(iii) Independent Directors	<p>In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his</p>	



	predecessor in office	
<b>f. Re-instatement</b>		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors.	Same criteria as stated above.
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non - Executive Directors.	Same criteria as stated above.
(iii) Independent Directors	Same process as stated above for selection/appointment of Independent Directors.	Same criteria as stated above.
<b>g. Suspension</b>		
(i) Executive Directors	Same process as stated above for selection/appointment of Executive Directors.	Same criteria as stated above.
(ii) Non-Executive Directors	Same process as stated above for selection/appointment of Non - Executive Directors.	Same criteria as stated above.
(iii) Independent Directors	Same process as stated above for selection/appointment of Non - Executive Directors.	Same criteria as stated above.

Voting Result of the last Annual General Meeting (as of December 31, 2016)

Name of Director	Votes Received
William T. Belo	WDI's voting result is more than the majority vote.
Lorraine Belo-Cincochan	
Mark Andrew Y. Belo	
Careen Y. Belo	
Rosemarie B. Ong	
Rolando S. Narciso	
Ricardo S. Pascua	

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.

For new directors, an orientation shall be conducted by the Company to ensure familiarity with the Company's business and governance processes.

- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years: Corporate Governance Seminar
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
N/A			

<sup>3</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.


**B. CODE OF BUSINESS CONDUCT & ETHICS**

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

<b>Business Conduct &amp; Ethics</b>	<b>Directors</b>	<b>Senior Management</b>	<b>Employees</b>
(a) Conflict of Interest	<p>Directors must never allow themselves to be placed in a position where their personal interests are in conflict (or could be in conflict) with the interests or business of the Company. They must avoid any situation or activity that compromises, or may compromise, their judgment or ability to act in the best interest of the Company.</p> <p>a. It is the duty of a Director to fully disclose to the Board any conflict of interest or presumption thereof involving him/her which could materially impair his/her judgment, exercise of duties and responsibilities and loyalty to the Company.</p> <p>b. It is the duty of a Director to report to the Board any conflict of interest or presumption thereof involving a Director which could materially impair the latter's judgment, exercise of duties and responsibilities and loyalty to the</p>	<p>It is the policy of the Company that employees should make a conscious effort to avoid conflict of interest in situations that his judgment and discretion is not influenced by considerations or personal gain or benefit.</p>	<p>Same with Senior Management</p>

	<p>Company.</p> <p>c. The Director, who is in conflict of interest, should not be counted in determining the existence of a quorum at the Board of Directors' meeting at which the matter is voted upon.</p> <p>d. If the conflict of interest is significant, ongoing and competing with the Company's interest and if it impedes the ability of the Director to carry out his/her duties, the Company has the right to remove the Director from his/her position.</p> <p>Any transaction with conflict of interest requires prior approval of the members of the Board.</p>		
(b) Conduct of Business and Fair Dealings	Employees of the company who are involved or in charge with the approval of procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest in transactions in which they are involved.	Same	Same
(c) Receipt of gifts from third parties	Employees are discouraged from accepting gifts. However tokens of appreciation or those that are small in value are allowed.	Same	Same
(d) Compliance with	The Company sees to it	Same	Same

Laws & Regulations	that all its transactions comply with relevant laws and regulation.		
(e) Respect for Trade Secrets/Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after disclosure to the SEC and PSE by the Company's authorized officers.	Same	Same
(f) Use of Company Funds, Assets and Information	Company' funds, asset and information shall be used with honesty and shall not be diverted or applied to any other use not intended for its planned purpose.	Same	Same
(g) Employment & Labor Laws & Policies	The Human Resources Department ensures compliance with labor laws and policies	Same	Same
(h) Disciplinary action	Violation of any provisions of company policies or code of business conduct may result to a disciplinary action such suspension, dismissal and reimbursement for any loss. A legal action may also be instituted.	Same	Same
(i) Whistle Blower	Any employee may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct. Reports can be made in writing or by email.	Same	Same
(j) Conflict Resolution	Directors must never allow themselves to be placed in a position where their personal interests are in conflict (or could be in conflict) with the interests or business of the Company. They must avoid any situation or activity that compromises, or may compromise, their	Same	Same

	<p>judgment or ability to act in the best interest of the Company.</p> <p>a. It is the duty of a Director to fully disclose to the Board any conflict of interest or presumption thereof involving him/her which could materially impair his/her judgment, exercise of duties and responsibilities and loyalty to the Company.</p> <p>b. It is the duty of a Director to report to the Board any conflict of interest or presumption thereof involving a Director which could materially impair the latter's judgment, exercise of duties and responsibilities and loyalty to the Company.</p> <p>c. The Director, who is in conflict of interest, should not be counted in determining the existence of a quorum at the Board of Directors' meeting at which the matter is</p>		
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	<p>voted upon.</p> <p>d. If the conflict of interest is significant, ongoing and competing with the Company's interest and if it impedes the ability of the Director to carry out his/her duties, the Company has the right to remove the Director from his/her position.</p> <p>Any transaction with conflict of interest requires prior approval of the members of the Board.</p>		
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- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? **Yes**
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct. **Yes**
- 4) **Related Party Transactions**
- (a) **Policies and Procedures**

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

<b>Related Party Transactions</b>	<b>Policies and Procedures</b>
(1) Parent Company	Wilcon Corporation
(2) Joint Ventures	If any, treated as arm's length transaction
(3) Subsidiaries	N/A
(4) Entities Under Common Control	Treated as arm's length transaction
(5) Substantial Stockholders	Treated as arm's length transaction
(6) Officers including spouse/children/siblings/parents	Treated as arm's length transaction
(7) Directors including spouse/children/siblings/parents	Treated as arm's length transaction
(8) Interlocking director relationship of Board of Directors	In order to safeguard against the excessive concentration of economic power, unfair competitive advantage or conflict of interest situations to the detriment of others through the exercise by the same person or group of persons of undue

	influence over the policy-making and/or management function of similar entities while at the same time allows them to benefit from organizational synergy or economies of scale and effective sharing of managerial and technical expertise, the Board shall formulate and implement policies and procedures that shall govern interlocking directorships within the Company.
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(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Details of Conflict of Interest (Actual or Probable)	
Name of Director/s	N/A
Name of Officer/s	
Name of Significant Shareholders	

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Directors/Officers/Significant Shareholders	
Company	<p>Directors must never allow themselves to be placed in a position where their personal interests are in conflict (or could be in conflict) with the interests or business of the Company. They must avoid any situation or activity that compromises, or may compromise, their judgment or ability to act in the best interest of the Company.</p> <p>a. It is the duty of a Director to fully disclose to the Board any conflict of interest or presumption thereof involving him/her which could materially impair his/her judgment, exercise of duties and responsibilities and loyalty to the Company.</p> <p>b. It is the duty of a Director to report to the Board any conflict of interest or presumption thereof involving a Director which could materially impair the latter's judgment, exercise of duties and responsibilities and loyalty to the Company.</p> <p>c. The Director, who is in conflict of interest, should not be counted in determining the existence of a quorum at the Board of Directors' meeting at which the matter is voted upon.</p> <p>d. If the conflict of interest is significant, ongoing and competing with the Company's interest and if it impedes the ability of the Director to carry out his/her duties, the Company has the right to remove the Director from his/her position.</p> <p>Any transaction with conflict of interest requires prior</p>

	approval of the members of the Board.
Group	Same

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>4</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
N/A	N/A	N/A

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
N/A	N/A	N/A

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
N/A	N/A	N/A

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
<b>Corporation &amp; Stockholders</b>	The Board shall establish and maintain an alternative dispute resolution system that can amicably settle conflicts of differences.
<b>Corporation &amp; Third Parties</b>	The Company has standard contracts stating that should they have any dispute, controversy or claim arising out of or relating to the any agreements, or the breach, termination or invalidity thereof, parties shall exert effort to amicably settle the same.

<sup>4</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.



Corporation & Regulatory Authorities	Strict compliance and adherence to laws, rules and regulations.
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**C. BOARD MEETINGS & ATTENDANCE**

1) Are Board of Directors' meetings scheduled before or at the beginning of the year? Beginning of the year.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	William T. Belo	March 30, 2016	9	9	100%
Member	Lorraine Belo-Cincochan	March 30, 2016	9	9	100%
Member	Mark Andrew Y. Belo	March 30, 2016	9	9	100%
Member	Careen Y. Belo	March 30, 2016	9	9	100%
Member	Rosemarie B. Ong	Sept 13, 2016	5	5	100%
Independent	Rolando S. Narciso	Sept 13, 2016	4	4	100%
Independent	Ricardo S. Pascua	Sept 13, 2016	4	4	100%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? None

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A majority of the Directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Independent directors should always attend Board meetings. Unless otherwise provided in the by-laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) independent director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company shall submit to the Securities and Exchange Commission (SEC) through SEC Form 17-C or in a separate filing, on or before January 30 of the following year, a sworn certification of the record of attendance of Directors in Board meetings.

5) Access to Information

(a) How many days in advance are board papers<sup>5</sup> for board of directors meetings provided to the board? Three days in advance.

(b) Do board members have independent access to Management and the Corporate Secretary? Yes. Board members have independent access to Management and the Corporate Secretary.

<sup>5</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

- a. The Corporate Secretary shall give due notice and keep the minutes of all meetings of the stockholders of the Company and of the Board. He shall have custody of the Stock Certificate Book, Stock and Transfer Book and the Corporate Seal, prepare ballots for the annual election and keep a complete and up-to-date roll of the stockholders and their addresses.
- b. Gathers and analyzes all documents, records and other information essential to the conduct of his duties and responsibilities to the Company.
- c. Informs the members of the Board, in accordance with the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.
- d. Attends all Board meetings, except when justifiable causes, such as, illness, death in the immediate family and serious accidents, prevent him from doing so.
- e. Ensures that all Board procedures, rules and regulations are strictly followed by the members.
- f. Submits to the Securities and Exchange Commission, at the end of every fiscal year, an annual sworn certification on the directors' record of attendance in Board meetings.
- g. Performs such duties as are incident to his office and those which may be required of him by the Board of Directors and of the President.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative. Yes.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes  No

Committee	Details of the procedures
Executive	Management should provide the Directors with complete, adequate and timely information about the matters to be taken up in their meetings.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Directors in furtherance of their duties and responsibilities, shall have access to independent professional advice at the Company's expense	Same

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
None		

#### D. REMUNERATION MATTERS

##### 1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Based on the compensation structure and policies of the Company on salary adjustments, promotions and performance assessments.	
(2) Variable remuneration	None	
(3) Per diem allowance	Each Director shall receive a reasonable per diem for his attendance at meetings.	
(4) Bonus	Determined upon achievement of performance based matrix.	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	Gasoline Allowance	

##### 2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Performance based matrices.		
Non-Executive Directors	Each Director shall receive a reasonable per diem for his attendance at meeting.		

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
N/A	

##### 3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

ACTUAL	Year	Salaries	Bonus	Total
President and Chief Operating Officer and four (4) most highly compensated senior officers. 1. BELO, WILLIAM T. - Chairman & Founder 2. CINCOCHAN, LORRAINE B. - President & CEO 3. ONG, ROSEMARIE B. - SEVP – COO 4. BELO, MARK ANDREW Y. - CFO & Director 5. SOLCO, CAREEN B. - Director	2016	10.04M	1.94M	11.98M
Aggregate compensation paid to all other officers.	2016	13.69M	3.3M	16.99M

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	See above	N/A	N/A
(b) Variable Remuneration	See above	N/A	N/A
(c) Per diem Allowance	See above	N/A	Php 80,000.00
(d) Bonuses	See above	N/A	N/A
(e) Stock Options and/or other financial instruments	N/A	N/A	N/A
(f) Others (Specify)	N/A	N/A	N/A
<b>Total</b>			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
<b>Total</b>	None	None	None

#### 4) Stock Rights, Options and Warrants

##### (a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct	Number of	Number of	Total % from
-----------------	------------------	-----------	-----------	--------------

	Option/Rights/ Warrants	Indirect Option/Rights/ Warrants	Equivalent Shares	Capital Stock
N/A				

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
None		

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
None	

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	Executive Director (ED)	Non-Executive Director (NED)	Independent Director (ID)	Committee Charter	Functions	Key Responsibilities	Power
Executive	5						
				<ol style="list-style-type: none"> <li>1. Approve and/or implement any or all corporate acts within the competence of the Board except those acts expressly reserved by the Corporation Code for the Board of Directors.</li> <li>2. Review and approve Company-wide credit sales strategy, profile and performance.</li> <li>3. Approve the credit risk taking-activities of the Company based on the regulations of established approving authorities and review and endorse credit-granting activities.</li> <li>4. Advise and assist the officers of the Company in all matters concerning its interest and the management of its business.</li> <li>5. Whenever the Board is not in session, to</li> </ol>			

				exercise all the powers of the Board which may be delegated to it by the Board of Directors.
Audit	1		2	<p>1. Provide oversight of management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from management of information on risk exposures and risk management activities;</p> <p>2. Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independently from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;</p> <p>3. Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;</p> <p>4. Prior to the commencement of an audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <p>5. Organize an internal audit department, and consider, when necessary and desirable, the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;</p> <p>6. Monitor and evaluate the adequacy and effectiveness of the Company's internal control system including financial reporting control and information technology security;</p> <p>7. Review the reports submitted by the internal and external auditors;</p> <p>8. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: any change(s) in accounting policies and practices; major judgment areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards; and compliance with tax, legal and regulatory requirements;</p> <p>9. Coordinate, monitor and facilitate compliance</p>

				<p>with laws, rules and regulations;</p> <p>10. Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its <i>significance to the total annual income of the external auditor</i> and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report; and</p> <p>11. Establish and identify the reporting line of the Company's internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.</p> <p>The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties.</p>
Nomination	2		1	<p>1. Provide shareholders with an independent and objective evaluation and assurance that the membership of the Board is competent and will foster the Company's long-term success and secure its competitiveness;</p> <p>2. Review and evaluate the qualifications of all persons nominated as director and other appointments that require Board approval;</p> <p>3. Such other powers and functions provided for in the Company's By-laws and applicable regulations of the Securities and Exchange Commission.</p>
Remuneration	2		1	<p>1. ensure that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates;</p> <p>2. recommend a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the Company;</p> <p>3. evaluate and recommend to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.</p>
Others (specify)				

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	William T. Belo	Sept 16, 2016				3 months
Member (ED)	Lorraine Belo-Cincochan	Sept 16, 2016				3 months
Member (ED)	Mark Andrew Y. Belo	Sept 16, 2016				3 months
Member (ED)	Careen Y. Belo	Sept 16, 2016				3 months
Member (ED)	Rosemarie B. Ong	Sept 16, 2016				3 months

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ricardo S. Pascua	Sept 16, 2016				3 months
Member (ED)	Lorraine Belo-Cincochan	Sept 16, 2016				3 months
Member (NED)						
Member (ID)	Rolando S. Narciso	April 12, 2017				
Member						

Disclose the profile or qualifications of the Audit Committee members.

Describe the Audit Committee's responsibility relative to the external auditor.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	William T. Belo	Sept 16, 2016				3 months
Member (ED)	Lorraine Belo-Cincochan	Sept 16, 2016				3 months
Member (NED)						
Member (ID)	Ricardo S. Pascua	Sept 16, 2016				3 months
Member						

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Lorraine Belo-Cincochan	Sept 16, 2016				3 months



Member (ED)	Mark Andrew Y. Belo	Sept 16, 2016				3 months
Member (NED)						
Member (ID)	Rolando S. Narciso	Sept 16, 2016				3 months
Member						

(e) Others (Specify)

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	N/A					
Member (ED)						
Member (NED)						
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	N/A	
Audit		
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	N/A	
Audit		
Nomination		
Remuneration		
Others (specify)		

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	
Audit		
Nomination		
Remuneration		
Others (specify)		

**F. RISK MANAGEMENT SYSTEM**

The Company is in the process of formally setting up its risk management board committee and update its risk management policy and systems for the approval of the Board of Directors. The Company was listed in the Philippine Stock Exchange on March 31, 2017, beyond the period covered by this report. The Company, however, undertakes that it will comply with all of the guidelines prescribed in the Code of Corporate Governance For Publicly Listed Companies.

For 2016, the company’s risk management system was covered by Internal Audit and Control and in the board level by the Audit Committee.

1) Disclose the following:

(a) Overall risk management philosophy of the company;

The risk management philosophy the Company is anchored on strong corporate governance structures, responsive risk management process and adherence to the principles of ownership and accountability.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Company’s Board of Directors through the Audit Committee periodically reviews the key risk areas and risk management and internal audit and control processes. The Board has deemed the risk management and internal audit and control systems to be adequate.

(c) Period covered by the review;

The review covered the period from April 1 to December 31, 2016

(d) How often the risk management system is reviewed and the directors’ criteria for assessing its effectiveness; and

The Company’s risk management systems are reviewed together with the internal controls regularly in committee and board meetings.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable.

2) Risk Policy

(a) Company

Give a general description of the company’s risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

<b>Risk Exposure</b>	<b>Risk Management Policy</b>	<b>Objective</b>
Credit Risk	Credit risk is the risk that the Company will incur a loss because its counterparties fail to discharge their contractual obligations.  Receivables are monitored on an on-going basis with the result that	The general objective of the Company’s risk management policy and system is to minimize the exposure of the Company to the risks associated with the conduct of its business such that its growth objectives are

	the Company's exposure to possible losses is not significant.	achieved.
Liquidity Risk	Liquidity risk is the risk that the Company will not be able to settle its obligations when these fall due.  The Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.	
Interest Rate Risk	Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.	

(b) Group

Not applicable

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
Yet to be done

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Yet to be done		

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

<b>Risk Exposure</b>	<b>Risk Assessment (Monitoring and Measurement Process)</b>	<b>Risk Management and Control (Structures, Procedures, Actions Taken)</b>
Yet to be done		

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

<b>Committee/Unit</b>	<b>Control Mechanism</b>	<b>Details of Its Functions</b>
Yet to be done		

**G. INTERNAL AUDIT AND CONTROL**

1) Internal Control System

Disclose the following information pertaining to the internal control system of the Company:

(a) Explain how the internal control system is defined for the Company;

The Company's internal control system covers all the policies and procedures, systems and processes that ensure the effectiveness and efficiency of the Company's operations, reliability of its financial reporting and compliance with laws and regulation. Everyone in the organization has responsibility for internal control. Management owns the internal control system and is responsible for establishing sound internal control policies and procedures. Management is accountable to the Board of Directors who provides governance, guidance, and oversight. Internal auditors play an important role in evaluating the effectiveness of control systems, and contribute to ongoing effectiveness by providing recommendations.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Board of Directors, through the Audit Committee, has reviewed the internal control system of the Company based on the assessments completed and reported by the internal and external auditors. The Board found the internal control system to be effective.

(c) Period covered by the review;

For the period April 1 to December 31, 2016

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

The Company's internal controls are reviewed continuously throughout the year by the Internal Auditor. Audit reports are issued to the Audit Committee upon completion of the audit. Significant findings and issues are taken up in the quarterly meetings of the Audit Committee.

The directors' criteria for assessing the effectiveness of the internal control system include:

1. Control Environment-the tone of the top and ethical behavior culture in the Company.
2. Risk Assessment-the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed and provide reasonable assurance that risks are reduced to an acceptable level.
3. Information and Communication-systems or processes that support the identification, capture, and exchange of accurate and complete information.
4. Control Activities- policies and procedures, international standards and industry best practices to ensure compliance with laws, regulations, supervisory requirements, and relevant internal policies.
5. Monitoring-processes used to regularly assess the continuing quality of internal control and risk management activities.

(e) Where no review was conducted during the year, an explanation why not.

Not applicable. Review was conducted during the period.

## 2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Internal audit's role is to provide an independent and objective assurance and consulting services within the Company, designed to add value and improve the operations.	Scope of internal audit includes the examination and evaluation of the management, controls, and processes.	In-house	Orestes Cruz	To maintain its independence, Internal Audit reports functionally to the Board of Directors, through the Audit Committee, and administratively to the President and Chief Executive Officer or her designate.  Reports are issued to management and the Audit Committee upon completion of the audit reviews. Significant findings and issues are taken up in the Quarterly meetings of the Audit Committee.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or Company to which the internal audit function is outsourced require the approval of the audit committee?

Yes. As indicated in the Audit Committee Charter and the Internal Audit Charter, the Audit Committee is responsible for the setting up of the Internal Audit Department, including the qualification criteria and appointment of the Chief Audit Executive or the head of the internal audit department. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties. Moreover, the Committee having appointed the Chief Audit Executive, also approves his/her replacement, re-assignment, or dismissal. The Committee also reviews and approves any outsourcing

of the internal audit function.

- (c) Discuss the internal auditor’s reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The Chief Audit Executive reports directly to the Board of Directors through the Audit Committee and has direct access to all members of the Audit Committee. The internal audit function as empowered by the Audit Committee Charter and the Internal Audit Charter has free access to all records, properties and personnel.

- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Christian Castillo	Transferred to Accounting Department
Ma. Lourdes Panguito	Work opportunity abroad

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	On-going
Issues <sup>6</sup>	No significant issues that would put the Company at major risk.
Findings <sup>7</sup>	No significant findings that would put the Company at major risk.
Examination Trends	No significant examination trends were noted.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

- (f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the Company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.”

Policies & Procedures	Implementation
Risk-based audit planning will be adopted to enhance the prioritization of audit activity and to ensure alignment of audit activity with the Company’s goal.	Implemented

<sup>6</sup> “Issues” are compliance matters that arise from adopting different interpretations.

<sup>7</sup> “Findings” are those with concrete basis under the company’s policies and rules.

Audit process will be streamlined to improve turn-around-time of audit projects.	Implemented
Continuous auditing aided by technology will be established in identified areas.	Implemented

(g) Mechanisms and Safeguards

State the mechanism established by the Company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the Company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the Company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The auditor's report directly to the Board of Directors through the Audit Committee and are not involved in the day to day operation of the Company.	There are no independence concerns involving financial analyst, investment banks and rating agencies as there are no material public information being disclosed ahead to any group other than what is disclosed publicly to the regulators within the prescribed time period for reporting.		
Independence and Conflict of Interest Policy			

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the Company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the Company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Compliance with the principles of good governance is one of the objectives of the Board of Directors. To assist the Board in achieving this purpose, the Board has designated a Compliance Officer, who reports to the Chairman, who shall be responsible for monitoring the actual compliance of the Company with the provisions and requirements of good governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Board, among others.

The Chairman of the Board of Directors, the Chief Executive Officer and the Compliance Officer will attest the Company's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue.

## H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	The company has customer relations guidelines, policies and procedures to ensure the protection and safety of the company's welfare.	Customers are very-well informed of the guidelines, policies and procedures ensuring their welfare and protection.
Supplier/contractor selection practice	The company has a policy of screening its supplier to ensure that they are qualified to meet the needs and requirements of the Company.	Supplies undergo screening and orientation.

Environmentally friendly value-chain	The company is compliant with government mandated policies on the environment	Company strictly complies with government mandated policies on the environment
Community interaction	The Company has various programs that focus on uplifting the socio-economic condition of the country	The Company coordinates and partners with organizations that gives scholarship and educational facilities to communities in need.
Anti-corruption programmes and procedures?	The company has anti-corruption policies and procedures.	The company conducts seminars and training to ensure that employees are well-informed of its anti-corruption policies and procedures.
Safeguarding creditors' rights	The company ensures the rights of its creditors by faithfully complying with its obligations to them and providing the information they need.	Open and regular communication and discussions with the creditors.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
None

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company complies with the safety, health and welfare standard, policies and procedures mandated by the Department of Labor and Employment.

The Company has the following policies:

**Drug-Free Workplace** – the company shall establish and implement policies and programs concerning drug abuse prevention, treatment and rehabilitation in accordance with the existing laws and regulations of the government.

**Occupational Safety and Health Policy** – The Company is committed to provide a safe work place, safe equipment, proper materials, establish and enforce safe methods and practices at all times.

**Anti-Sexual Harassment Policies and Procedures** – The Company shall not tolerate any behavior that amounts to sexual harassment and any officer or employee found to have committed sexual harassment shall be subjected to disciplinary action, up to and including dismissal.

**Smoke-Free Workplace** – The Company shall establish a smoke-free workplace policy awareness programs. This shall be part of the orientation conducted for newly-hired employees. A "no-smoking" sign shall be conspicuously displayed at floor areas designated as "no-smoking are."

**Workplace Policy and Program on Tuberculosis (TB) Prevention and Control** – The Company's TB Program shall be managed by its health and safety committee. This is to address the stigma attached to TB and to ensure that the worker's right against discrimination, brought by the disease is protected and to facilitate free access to anti-TB medicines of affected employees through referrals.

**Company and Government Mandated Leaves** – This shall prescribe the polices regarding leave benefits of the employees provided by the Company and mandated by law.

**Retirement Program** – The Company has a retirement program for qualified employees of the Company.

(b) Show data relating to health, safety and welfare of its employees.

The Company has a fitness gym to ensure a healthy balance between work and life of its employees.



(c) State the company's training and development programmes for its employees. Show the data.

The Company aims to foster a strong sense of responsibility in a motivating environment to enhance its employees' incentives and loyalty. The Company conducts various trainings for different levels of staff, including trainings tailored to specific job duty, such as trainings on product knowledge for sales personnel. Staff remuneration typically comprises basic salaries and overtime allowance.

The Company has put in place a Leadership Enhancement and Development (LEAD) Program for all Managers and Supervisors conducted by external consultant. The LEAD Program is designed to equip managers and supervisors with leadership and management skills towards peak performance.

The Company also implements a Career Management Program (CMP) in order to ensure the continuous supply of competent key officers within the organization. This enables employees to realize their career aspirations through career development plans and interventions. To support the company's expansion plans this program was created identifying the critical posts or positions in every branch and the selection of high potential candidates. The candidates are placed in the career management pipeline for future needs of the company. This program also allows for lateral transfers for employees who wish to learn new skills in other departments.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company has policies on annual merit increase, promotion and salary adjustments based on the employee's performance assessments.

- 4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Employees can submit their complaints to the officer of the Human Resources Department. Complaints can be made in writing or by email.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Wilcon Corporation	2,680,317,916	99.06%	

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
William T. Belo	5,099,997		0.19%
Lorraine Belo- Cincochan	5,100,000		0.19%
Mark Andrew Y. Belo	5,100,000		0.19%
Careen Y. Belo	5,100,000		0.19%
Rosemarie B. Ong	1		0.00%
<b>TOTAL</b>			

- 2) Does the Annual Report disclose the following:

The Company was listed with the Philippine Stock Exchange on March 31, 2017, beyond the period covered by this

report. The Company, however, undertakes that it will comply with all of the guidelines prescribed in the Code of Corporate Governance For Publicly Listed Companies.

Key risks	
Corporate objectives	
Financial performance indicators	
Non-financial performance indicators	
Dividend policy	
Details of whistle-blowing policy	
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	
Training and/or continuing education programme attended by each director/commissioner	
Number of board of directors/commissioners meetings held during the year	
Attendance details of each director/commissioner in respect of meetings held	
Details of remuneration of the CEO and each member of the board of directors/commissioners	

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Reyes Tacandong & Co.	₱3,400,000.00	

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

1. Company website
2. Electronic and regular mail
3. Telecommunications/facsimile
4. Hard copies of documents

5) Date of release of audited financial report: The Audited Financial Statement for fiscal year ended December 31, 2015 was submitted to the Securities and Exchange Commission on April 22, 2016.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

The Company was listed with the Philippine Stock Exchange on March 31, 2017, beyond the period covered by this report. The Company, however, undertakes that it will comply with all of the guidelines prescribed in the Code of Corporate Governance For Publicly Listed Companies.

Business operations	
Financial statements/reports (current and prior years)	
Materials provided in briefings to analysts and media	

Shareholding structure	
Group corporate structure	
Downloadable annual report	
Notice of AGM and/or EGM	
Company's constitution (company's by-laws, memorandum and articles of association)	

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

## 7) Disclosure of RPT

RPT	Relationship	Nature	Value
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Please refer to Note 4 of the Notes to the Audited Financial Statement as of December 31, 2015.

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	In all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum.
------------------------	--

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	N/A
<b>Description</b>	At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in -fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the secretary not later than five (5) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least one(1) day prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.

#### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid

down in the Corporation Code.

<b>Stockholders' Rights under The Corporation Code</b>	<b>Stockholders' Rights not in The Corporation Code</b>
In accordance with the provisions stated in the Corporation Code.	In accordance with the provisions stated in the Corporation Code.

**Dividends**

<b>Declaration Date</b>	<b>Record Date</b>	<b>Payment Date</b>
The Company has not declared any dividends as of December 31, 2016.		

**(d) Stockholders' Participation**

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

<b>Measures Adopted</b>	<b>Communication Procedure</b>
They are given the opportunity to ask questions or raise their concerns during the stockholders' meeting.	The Corporate Secretary shall inform the members of the Board, in accordance with the by-laws of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution
  - b. Authorization of additional shares
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The Company complies with the Corporation Code on the abovementioned matters.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
  - a. Date of sending out notices: March 15, 2016
  - b. Date of the Annual/Special Stockholders' Meeting: March 30, 2016
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.  
Usual questions pertaining to the election of directors.
5. Result of Annual/Special Stockholders' Meeting's Resolutions

<b>Resolution</b>	<b>Approving</b>	<b>Dissenting</b>	<b>Abstaining</b>
Election of Board of Directors	More than a majority vote	N/A	Less than 1 %

Election of external auditor	More than a majority vote	N/A	Less than 1 %
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6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: Submitted to the Securities and Exchange Commission.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	

(f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	William T. Belo Rosy Chua Belo Lorraine Belo-Cincochan Mark Andrew Y. Belo Careen Y. Belo	March 30, 2016	At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the secretary not later than five (5) days before the time set for the meeting. Such proxies filed with the Secretary may	100%	0	100%

			<p>be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least one(1) day prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.</p>			
--	--	--	--	--	--	--

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. Yes

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

Company's Policies	
Execution and acceptance of proxies	<p>At all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in -fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.</p> <p>All proxies must be in the hands of the secretary not later than five (5) days before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary at least one (1) day prior to a scheduled meeting or by their personal presence at the meeting. The decision of the secretary on the validity of proxies shall be final and binding until set aside by a court of competent jurisdiction.</p>
Notary	Not required

Submission of Proxy	See above
Several Proxies	
Validity of Proxy	See above
Proxies executed abroad	Not applicable
Invalidated Proxy	
Validation of Proxy	See above
Violation of Proxy	See above

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
At least 2 weeks prior to the date of the meeting to each stockholder of record at his last known post office address.  The notice shall state the place, date and hour of the meeting and the purpose or purposes for which the meeting is called.	Personal delivery or by mailing, facsimile, digital or electronic communication or publication in a newspaper of national circulation

(i) Definitive Information Statements and Management Report:

The Company was listed with the Philippine Stock Exchange on March 31, 2017, beyond the period covered by this report. The Company, however, undertakes that it will comply with all of the guidelines prescribed in the Code of Corporate Governance For Publicly Listed Companies.

<b>Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials</b>	
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners</b>	
<b>Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders</b>	
<b>State whether CD format or hard copies were distributed</b>	
<b>If yes, indicate whether requesting stockholders were provided hard copies</b>	

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
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Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	N/A
The amount payable for final dividends.	N/A
Documents required for proxy vote.	The company does not solicit proxy votes.

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

## 2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
The Board commits to respect the rights of the stockholders in accordance with its Articles of Incorporation, By laws and Corporation Code.	Implemented

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes

## K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company's internal communications are carried through an email blast platform and managed mainly by the Human Resources and Administration departments. All company announcements and information are confidential to the specific recipients and should not be shared to external parties unless with clearance from the proper approving authorities.

Official statements and releases to the media and public disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange are similarly cleared by the appropriate approving authorities prior to release by the designated spokespersons or the Investor Relations or Corporate Secretary's office.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	The Investor Relations program of the Company aims to effectively provide its stakeholders and the general public information that are timely, relevant, appropriate and accurate.
(2) Principles	The Company adheres to the principles of transparency and fairness in disseminating information to its stakeholders and the general public.
(3) Modes of Communications	As of the period covered by this report: Disclosures to the PSE and website Subsequently, the Company plans to utilize available channels of



	communication such as its website, disclosures to the PSE, one-on-ones and teleconferences with investors, briefings and the annual stockholder meeting, among others.
(4) Investors Relations Officer	As of the period covered by this report: Madonna Minimo  As of March 1, 2017: Mary Jean Alger 63 2 634-8387 loc 1040 jean_alger.iro@wilcon.com.ph

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

For the period covered by this report, the Company is still in the process of completing all the mandates embodied in the Code of Corporate Governance for Publicly Listed Companies.

#### L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Wilcon Run for Environment	La Mesa Ecopark
Donated to Red Cross	Red Cross beneficiaries

#### M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

Assessment is yet to be done.

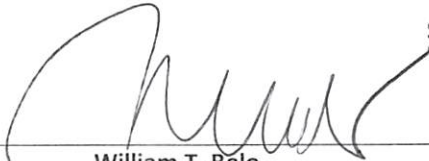
#### N. INTERNAL BREACHES AND SANCTIONS

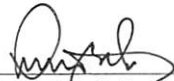
Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees


Violations	Sanctions
<p>The Chief Compliance Officer shall be responsible for determining violation/s of any of the provisions of this Manual, through notice and hearing, and shall recommend to the Chairman of the Board, through the Corporate Governance and Compliance Committee, the imposable penalty for approval.</p> <p>a. First violation – the subject person shall be reprimanded.</p> <p>b. Second violation – suspension from office shall be imposed. The duration of the suspension shall depend on the gravity of the violation.</p> <p>c. Third violation – the maximum penalty of removal from office shall be imposed</p>	


Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Quezon City on 26 APR 2017, 2017.

SIGNATURES

  
 \_\_\_\_\_  
 William T. Belo  
 Chairman of the Board

  
 \_\_\_\_\_  
 Lorraine Belo-Cincochan  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Ricardo S. Pascua  
 Independent Director


  
 \_\_\_\_\_  
 Rolando S. Narciso  
 Independent Director

  
 \_\_\_\_\_  
 Grace A. Tiong  
 Compliance Officer

SUBSCRIBED AND SWORN to before me this 26 APR 2017 day of \_\_\_\_\_, 2017, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
William T. Belo	EC4204794	19 May 2015	DFA NCR CENTRAL
Lorraine Belo-Cincochan	EC7174249	21 March 2016	DFA Manila
Ricardo S. Pascua	EC1641923	15 July 2014	DFA Manila
Rolando S. Narciso	EB9034928	31 August 2013	DFA Manila
Grace A. Tiong	EC0577080	17 March 2014	DFA NCR CENTRAL

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 Book No. #  
 Series of 2017

  
 NOTARY PUBLIC  
**ATTY. RUBEN M. AZAÑES, JR.**  
 NOTARY PUBLIC  
 UNTIL DECEMBER 31, 2017  
 PTR No. 3802443, 01-03-2017  
 Roll of Attorney's No. 46427  
 IBP No. 0998567-Q.C. Chapter  
 Admin. Matter No. NP-291  
 MCLE No. 0022246  
 TIN No. 140-394-336  
 (PRBS) Camp Crame, Quezon City