SEC Number 168063
File Number ________

PRYCE CORPORATION
(formerly PRYCE PROPERTIES CORPORATION)

Company's Full Name

17th Floor Pryce Center, 1179 Chino Roces Avenue corner Bagtikan St., Makati City

Company's Address

899-44-01 (trunkline)
Telephone Number

December 31
Fiscal Year Ending
(Month & Day)

SEC Form 17-A

Form Type

N/A

Amendment Designation (if applicable)

December 31, 2016

Period Ended Date

N/A

Secondary License Type and File Number

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2016

2. SEC Identification Number 168063   3. BIR Identification No. 000-065-142-000

4. PRYCE CORPORATION

5. Metro Manila, Philippines   6. [ ] Industry Classification Code

7. 17th Floor Pryce Center, 1179 Chino Roces Avenue cor. Bagtikan St., Makati City, 1203

8. Telephone No. (632) 899-44-01 (trunkline)

9. (formerly PRYCE PROPERTIES CORPORATION)

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	No. of shares
Subscribed & Issued Common Shares	1,998,750,000
Subscribed Common Shares (partially paid)	1,250,000

11. Are any or all of these securities listed on the Philippine Stock Exchange.
    Yes [x]   No [ ]

    Philippine Stock Exchange   Common Stock

12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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 [x]   No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [x]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

    Market value of voting stock, held by non-affiliates of the registrant, is approximately P7,111,370,010 based on 1,451,300,002 shares at P4.90 per share, which was the market price at the close of the last trading day of March 31, 2017.

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission. -- Not Applicable to Issuer

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

Pryce Corporation ("PC" or the "Company"), formerly Pryce Properties Corporation, was established basically as a property holding and real estate development company, incorporated on September 7, 1989. The Company concentrates its operations in Mindanao and is principally involved in the development of memorial parks and sale of memorial lots; in the past, it had developed residential and commercial properties. It is also engaged in hotel operations in Cagayan de Oro City. PC owns and operates a total twelve (12) memorial parks in Mindanao's major cities: Cagayan de Oro City, Iligan City, Ozamiz, Polanco (near Dipolog City), Zamboanga City, Davao City, including smaller-sized memorial parks suited for Mindanao's secondary cities or major municipalities namely Manolo Fortich (at the boundaries of Cagayan de Oro City and Bukidnon), Malaybalay Ctiy in Bukidnon, Malita in Davao del Sur, Bislig in Surigao del Sur, Alabel in Saranggani, and recently in Pagadian City.

Pryce Gases, Inc. ("PGI") is the Company's subsidiary, which is principallly engaged in the importation and distribution of liquefied petroleum gas (LPG) under the brand name *PryceGas*; it also produces and sells industrial gases. PC's ownership in PGI slightly lowered to 91.4% (lower from the previous of 98% in 2014) as a result of the latter's increase in authorized capital stock from Php 2.5 billion to Php 3.7 billion, even as PC subscribed to an additional 93,500,000 shares in PGI in June 2015. PGI's increase in capital stock was approved by the SEC on May 22, 2015.

PGI has a subsidiary, Oro Oxygen Corporation, now wholly-owned, which operates in Luzon and NCR. It sells/distributes PGI's LPG product (PryceGas); it also sells industrial gases that is sourced independently of PGI.

Another subsidiary of the Company is Pryce Pharmaceuticals, Inc., a wholesaler and distributor of private branded multi-vitamins and some 'over-the-counter' generic drugs. It was organized to primarily take advantage of the 'Generic Medicines Law'. PPhI is a relatively new player in the pharmaceutical business as it was organized in September 2005. PPhI, being a relatively new player in the industry and having a modest capitalization, is not expected in the near term to provide significant contribution to the Company's business. It is, however, expected to gradually grow in the long term as the generic drugs business is a substantial industry that continues to expand.

Corporate Rehabilitation of Pryce Corporation

Background

Pryce Corporation filed a petition for rehabilitation with the Regional Trial Court, Branch 138 (later Branch 149) of Makati ("the Commercial Court") on July 9, 2004; following this, the same court, in an order dated July 13, 2004, appointed a Receiver and ordered a stay in the settlement of all debts with the banks and trade creditors. In the years preceding the filing of said petition, the Company experienced a series of downturns in its real estate revenues due to the effects of the Asian financial crisis of 1997. This resulted in declines in cash flows that led to its inability to service its maturing bank debts. The Company had been negotiating with its bank creditors, as early as three years prior to the filing of same petition, for restructuring and/or payment of its debts via dacion en pago. However, no agreement was finalized because of several sticking points on the selection and valuation of assets as well as the accrual of interest and penalties. Meantime, China Banking Corp. (CBC) and the Bank of Phil. Islands (BPI) issued legal notices demanding payments. BPI, in fact, subsequently foreclosed on some of PC's assets mortgaged to the former.

In the midst of the aforesaid circumstances and stand-off with the banks and holders of the Long Term Commercial Papers (LTCP), Management decided to file a petition for rehabilitation to avert the following: a) the scenario of ballooning obligations owing to the continuous accrual of interest and penalties arising from to the impasse in debt negotiations; and b) the foreclosures on PC's real estate assets and deficiency claims that the banks would file, which would result in the Company's loss of viability as a going concern. The rehabilitation plan submitted by PC sought to pay off all outstanding loan obligations and achieve a debt-free scenario for the company to enable it to start on a clean slate. This would be achieved through dacion en pago of its real estate properties and would not involve any restructuring of its debts, given its tight liquidity position and low debt service capacity.

On December 1, 2004, the Receiver submitted his comments and recommendations on the proposed rehabilitation plan of the Company, following which the rehabilitation plan of the company was approved by the Commercial Court thru an order it issued on January 17, 2005, which was implemented by the Receiver.

PC's rehabilitation proceedings was closed and terminated in late July 2015. PC's corporate rehabilitation would have been terminated much earlier though had it not been for the opposition of two creditor banks to PC's rehabilitation. These banks went all the way to Supreme Court but PC eventually won the final rulings in that court.

Court Litigations in Relation to PC's Rehabilitation Proceedings

The two creditor-banks, however, filed their respective petitions for review of the Commercial Court's orders before the Court of Appeals (CA) in February, 2005 opposing the rehabilitation plan.

On the BPI case, the 1st Division of the CA issued its decision on May 3, 2006 in favor of BPI. The Company filed a Motion for Reconsideration on May 26, 2006 and the CA on May 23, 2007 reversed itself, ruling in favor of PC thereby affirming the ruling of the RTC-Makati. BPI filed a Petition for Review on Certiorari with the Supreme Court (SC) which was denied on January 30, 2008. BPI then filed a Motion for Reconsideration, but this was likewise denied with finality when on April 28, 2008 the SC ruled that BPI did not present substantial argument to warrant a modification of the SC's earlier resolution.

The court litigation with CBC at the CA began in February 2005; it was a protracted one and went all the way to the SC. Finally, on March 11, 2014, the Company received a resolution from the SC *En Banc*, promulgated on February 18, 2014, in *Pryce Corporation vs. China Banking Corporation, G.R. No. 172302*, in which the court en banc found the arguments of the Company meritorious and, thus, RECONSIDERED and SET ASIDE the earlier decision of the SC First Division and granted the Company's motion for reconsideration. This promulgation in effect upheld the orders of Commercial Court: (i) stay order; (ii) order giving due course to the petition for rehabilitation; and, (iii) order finding the Company eligible to be placed in a state of corporate rehabilitation, approving the rehabilitation plan, identifying assets to be disposed of, and determining the manner of liquidation to pay the liabilities.

Termination of the Company's Rehabilitation Proceedings

On May 19, 2015, PC filed the motion to terminate the proceedings for corporate rehabilitation. Hinundayan Holdings Corp. filed a Manifestation with the Commercial Court stating that: 1) it was the only remaining LTCP creditor of PC; 2) it had made certain arrangements with it on the settlement of the said LTCP obligation, given that it is an affiliate of PC; and 3) it endorsed PC's motion to terminate the rehabilitation proceedings.

On July 31, 2015, PC received an Order dated July 28, 2015 from the Commercial Court. The Order disposed of PC's motion to terminate its corporate rehabilitation proceedings and declared the rehabilitation proceedings of PC as closed and terminated.

Product Mix

Before 1997, PC's principal business was property development which accounted for the bulk of the company's revenues and income. Subsequently, LPG and industrial gases (product lines of the subsidiary PGI) dominated the Company's business, as a result of which the name was changed from "Pryce Properties Corporation" to "Pryce Corporation". The name change was approved by the Securities and Exchange Commission on July 29, 1997. The Philippine Stock Exchange then reclassified the Company's stocks from "Property" to "Manufacturing, Trading and Distribution" on September 25, 1997. Subsequently, the Company's stock was reclassified to "Chemicals", which became effective on January 2006, pursuant to PSE's circular that stock classification should be to the industry from which a company is generating the majority or bulk of its revenues.

The subsidiary, PGI, manufactures and distributes oxygen (medical and industrial) and acetylene as well as trades in other gases such as argon, carbon dioxide and nitrogen. Its industrial gas manufacturing facilities currently consist of eight plants in eight locations. In recent years it has decided to limit or stop the manufacturing of said gases in certain areas where it is not economical to operate due to the rising costs of production, plant maintenance, and increasing occurrence of brownouts; it instead procured those gases from third-party sources.

PGI's LPG business began in late 1996 by way of a supply agreement with one of the three major oil companies in the country and enabled it to market LPG using the name *PryceGas*. In the following year, it started the construction of its own sea-fed terminal facilities and in-land refilling plants in various strategic locations in the Visayas and Mindanao.

In late 2005, PGI decided to enter the LPG automotive fuel ("autogas") business as it believed in the long-term viability of this business considering that it is environmentally a cleaner alternative to the gasoline and diesel fuels. As of December 2014, it has a total of 35 autogas stations: 20 are in Mindanao, 15 in Visayas.

PC's property business involves the acquisition of raw land and its conversion into various developments, mostly memorial parks; in the past it included residential subdivisions and housing, business parks, and commercial centers. These were mostly designed for the medium and upscale markets except for two low-cost housing projects. The Company has regional sales groups in Mindanao that take charge of the selling of real estate in that island.

The Company also has a first class convention hotel called Pryce Plaza, located in Cagayan de Oro City. The hotel has an in-house marketing and sales staff, one located at the hotel and another based at the Company's head office in Makati City.

In 1996, two years after PC built its first memorial park in Cagayan de Oro City, the Company decided to undertake a policy shift in regard to its property development activies; it decided to focus its efforts in the development and selling of memorial lots. Thus, in just a span of 5 years (1996 to 2001) after such decision, the Company was able to complete five (5) more memorial parks in the following locations: Iligan City, Zamboanga City, Polanco in North Zamboanga (i.e., near Dipolog City), Ozamiz City and Davao City. All of these major memorial parks (discussed in more detail below) are operational, although certain areas in these parks are reserved for future development. Then, beginning in 2005, the Company commenced the development of what it calls "boutique" (or smaller-size) memorial parks. Four (4) boutique memorial parks were essentially completed in the places of: Manolo Fortich, Bukidnon; Malita, Davao Del Sur; Bislig, Surigao Del Sur; and Malaybalay City, Bukidnon. Alabel, Sarangani and recently (in June 2014) in Pagadian, City.

As a real estate company, the Company's main activity is the selling of its memorial park inventories. (The Company has completed its development of non-memorial park projects and continues to sell off the remaining inventories, after which, the company will concentrate its development activities on memorial parks. The Company still have some remaining upscale subdivision lots in Davao City and Cagayan de Oro City, as well as office condominium units, also in Davao City, that the Company is seeking to dispose.)

Another product group that belongs to the mix consist of private branded multi-vitamins and some 'over-the-counter' generic drugs that belong to the Company's subsidiary, Pryce Pharmaceuticals, Inc.

Personnel and Manpower

The Company has a regular workforce of 187 employees in its real estate business and is composed of the following: 31 are in administrative positions, 150 are in operations and 6 are senior officers. Replacements are hired only when necessary. The workforce excludes those in the hotel operations, which has stopped as of December 31, 2016. Consequent to this closure, the hotel employees were made to choose between these options: a) transfer of employment to the Company's other business units or to its subsidiary, PGI; b) early retirement, if qualified under the Company's retirement plan; c) receive separation pay in accordance with the relevant labor laws. The workforce numbers herein, including those below, does not include non-regular personnel, i.e., probationary and contractual ones.

The subsidiary, PGI, on the other hand, has 487 regular personnel, of which 177 are in the technical services group, 169 are in operations, 122 are in administration and 19 are senior officers. A slight increase of 2 personnel occurred in PGI in 2016 compared to previous of 485 in 2015. Specifically for PGI, the administration personnel are those who mainly provide support and 'back office' functions, which consist mainly of personnel in the administrative services department and finance & accounting services department; the operations group is composed of employees whose tasks chiefly relate to transport of products and sales/marketing functions; while the technical personnel are those involved in plant operations, gases production, LPG operations, LPG cylinder maintenance and autogas operations.

The number of regular employees expected to be hired in the following year 2017 will depend on developments and growth in the company's business and on the number of employees who may resign or retire within the said period. The employees are not subject to Collective Bargaining Agreement (CBA) since the parent company and its subsidiary are non-unionized.

Marketing and Sales

PGI has a well-organized distribution network. It has synergies formed from shared distribution centers and long experience in selling and servicing of its products. Customer service for new and repeat customers is made better by a system wherein the sales/marketing function is separate from the service functions. Sales associates are solely responsible for generating new customers, while the sales outlets/centers service the LPG requirements of existing customers.

PGI's LPG sales centers render 24-hour service and have stay-in personnel. These sales centers sell cylinders, stoves, replenish empty tanks of dealers and conduct promotional activities for existing PGI customers. These centers also cater to phoned-in orders.

The dealers are PGI's main outlets for selling LPG and have exclusive contracts for the dealership of PryceGas. Dealers' stocks are replenished from PGI's sales centers or from its LPG terminal/refilling plants. Dealers normally get a minimum margin of 15-20% for every PryceGas cylinder. Dealers are allowed to have their own sub-dealers and sales outlets. Sales outlets have to be accredited to sell PryceGas. Dealers supply the majority of stocks sold in such outlets.

On the real estate business side, the company, for marketing purposes, divides Mindanao into two regions: the Northern and the Southern (inclusive of Zamboanga) operations. A region is managed by a regional head and has marketing and selling group headed by a sales and marketing manager, under whom are the different memorial park business managers that are compensated and incentivized according their sales performance. Each region is responsible for periodically improving its marketing plans and strategies in order to meet the agreed sales quotas. The park business managers are responsible for recruiting its sales force, which are composed of sales associates who are compensated on commission basis, and for the maintenance of the parks, through the park supervisors.

Competition

<u>*Pryce's LPG & Gas Business*</u>

In the VisMin areas, where PGI had operated for almost 20 years, its LPG business competes with the main players Petron (Gasul brand), Petronas, and Isla Gas (Solane brand). In Luzon however, PGI is a relatively new entrant having entered the fray about three years ago in June 2014; it competes with Petron, Liquigaz, Isla Gas, as well as with South Pacific, Inc. (SPI), the latest entrant in Luzon, whose marine storage terminal (in Calaca, Batangas) went into operation in late 2015. At the refilling plant level, Management estimates that PGI competes with more than a hundred independent refilling plants all over Luzon.

PGI now has an aggregate LPG storage capacity of 20,200 metric tons (MT) thru its sea-fed / marine terminals and inland refilling plants which are distributed in strategic areas in Luzon, Visayas and Mindanao (see breakdown and locations in a tabulation under the discussion below titled ***LPG Plants***). PGI's total storage capacity of 11,800 MT for the Vis-Min regions, is the biggest compared to any of its competitors in that area. In Luzon, PGI's 8,400-MT storage capacity is one among the three largest storage facilities, which includes Liquigaz and SPI. On product distribution capability, PGI and its subsidiary, Oro Oxygen Corp., has, as of this writing, thirty-two (32) refilling plants strategically located in various parts of Luzon and NCR. The larger capacity terminals and refilling plants at various locations across the country allow PGI to cover a wide range of the market within those regions. Moreover, the location of its network of terminals and refilling plants gives it the flexibility to transfer product to ensure continuity of supply in the event of possible stock-outs due to fortuitous events.

PGI sources its LPG from Asian suppliers that ship the LPG to its terminal using marine carriers with capacities of 2,000-2,500 MT. The storage capacity of the terminals in Visayas-Mindanao that could take a single port or a maximum of two ports discharge per shipload gives PGI some cost advantage over competitors, which, because of their smaller storage capacities would need multiple port deliveries to fully unload the contents of one carrier.

The Department of Energy (DOE) reports that for 2016 PGI has the following LPG market shares in the following regions as of 2016: 25.89% in Mindanao, 21.83% in Visayas, and 9.97% in Luzon; overall, PGI has 12.74% share of the country's total market or equivalent to 189,000 MT. This is an improved market share (over year-ago share of 12.1%) so that PGI has become the 3rd major player in the Philippine LPG industry.

Prices are determined by market forces, resulting in increasing competition. Although the LPG business operates in a deregulated environment in the Philippines, the government exercises moral suasion or outright pressure on the industry from time to time to prevent upward price movements or to influence the magnitude of price increases.

PGI's industrial gas business (comprises about 4 to 5% of PGI's total revenue) competes with about thirteen other companies; Linde Philippines, Inc. and Air Liquide are considered to be its closest major competitors. It has to contend with different environments for its products (oxgen, acetylene, argon, nitrogen, carbon dioxide, and compressed air) in terms of the extent and composition of the competition. PGI's Vis-Min operations account for the bulk of its ind'l gas revenues. Management estimates that PGI has roughly 30% of the combined Mindanao and Visayas markets.

A more specific discussion of price and market demand is provided in the section on *Management's Discussion and Analysis* under Item 6 of Part II (Operational and Financial Information of this report.

Pryce's Memorial Park Business

The real estate business in the Philippines is very competitive. The extent and composition of the competition varies by geographic region and price segment. Real estate activity used to be concentrated in the National Capital Region and other big urban areas, however, it has now spilled over to various population centers and cities in Mindanao.

The main real estate business of the Company is its memorial parks which compete with others that have varying qualities and character but rarely are comparable to the Company's memorial parks in terms of natural scenery or quality of development and maintenance. The significant competitors are each shown below the Company's *Pryce Gardens* memorial parks.

A. Cagayan de Oro Gardens (Cagayan de Oro City)
- Greenhills Memorial Park
- Divine Shephed Memorial Park
- Golden Haven Memorial Park

B. Ma. Cristina Gardens (Iligan City)
- St. Michael Park
- there exist a public and a Chinese cemeteries but these are not considered significant competitors

C. Zamboanga Memorial Gardens (Zamboanga City)
- Forest Lake Memorial Park
- Ayala Public Cemetery
- Chinese Cemetery
- Lund Memorial Park
- Golden Haven Memorial Park

D. North Zamboanga Gardens (Dipolog City)
- Century Memorial Park
- Millenium Cemetery (this was foreclosed by a government bank and appears as not being effectively marketed)
- Gulayon Public Cemetery

E. Ozamiz Memorial Gardens (Ozamiz City)
- Malindang Memorial Gardens
- Ozamiz Chinese Cemetery

F. Mt. Apo Memorial Gardens (Davao City)
- Davao Memorial Park
- Buhangin Memorial Park
- Toril Memorial Park
- Forest Lake Memorial Park
- Manila Memorial Park
- Calinan Memorial Gardens

G. Pryce Gardens, CDO-Manolo Fortich (at junction of CDO and Bukidnon)
- three small public cemeteries located in Bugo, Agusan & Tablon

- the private cemeteries in the city of Cagayan de Oro City, Golden Haven and Divine Shepherd, although remote, may also be considered competitors
- Damilag Cemetery in Bukidnon

H. Pryce Gardens – Malaybalay (Bukidnon)

- Shepherd Meadows Memorial Park
- Valencia Memorial Gardens

I. Pryce Gardens – Malita (Davao del Sur)

- Backyard interment
- Inaburan Public Cemetery

J. Pryce Gardens – Bislig (Surigao del Sur)

- Bislig Public Cemetery
- Abaya Memorial Park
- Salazar Memorial Park

K. Pryce Gardens – Alabel (Sarangani)
(most 'competitors' are some distance away in General Santos City)

- Forest Lake Memorial Park (Apopong, General Santos City)
- Monte Cielo Memorial (Conel, General Santos City)
- Holy Trinity Memorial (Polomolok, South Cotabato)
- Spring Public Cemetery

L. Pryce Gardens – Pagadian

- Chrysanthemum Memorial Garden (Barangay Tiguma)
- Pagadian Memorial Park (Barangay Paglaom)
- Pielago Memorial Park (Barangay Paglaom)
- Pagadian Public Cemetery (Barangay Paglaom)

Government Approvals, Licenses and Permits

Licenses, permits and other government-required approvals have been obtained by PGI for the operation of all of its production facilities. It is registered with the Board of Investments (BOI) under the Omnibus Investments Code of 1987 (as amended by RA No. 7369), otherwise known as Executive Order No. 226, as a new operator of distribution facilities for LPG in various Visayas and Mindanao regions on a non-pioneer status. PGI is entitled to certain tax and non-tax incentives such as income tax holiday ranging from four to six years and duty-free importation of capital equipment and others. PGI's San Fabian terminal in Luzon is also registered with the BOI and enjoys tax incentives. The company owns the registered brand name, "PRYCEGAS" for its cylinders, but it does not have any patent to a product or process.

As to the Company's property development business, the requisite development permits and Licenses to Sell have been secured from the local government units and the Housing and Land Use Regulatory Board (HLURB) for its various real estate projects. The Company essentially complies with the conditions and terms of the said license, such as the delivery of the lot/unit title to the buyer upon full payment of the price thereof; payment of real estate taxes/assessments on a lot or unit until the title has been transferred to, or the buyer has taken possession of the property; and display of the license and Certificate of Registration in a conspicuous place in the principal office of the owner/developer and copy thereof at its branch office(s).

Shown below are the amounts that the Company group has spent for its development activities in the last three fiscal years:

	2016	2015	2014
Development Cost	624,922,453	604,648,941	322,323,013
Percentage to Revenues	9.30%	10.47%	5.09%

Increase in development cost in 2016 compared to previous year 2015 is mainly attributable to LPG construction activities of PGI and land acquisition of its subsidiary Oro Oxygen Corp.

The consolidated revenues of the Pryce Group for 2016 (P6.772 billion) can be broken down as follows in terms of percentages: sales of LPG and industrial gases accounted for 96.94%; Real Estate sales has 1.99%, Hotel Operations at 0.55%; and the small balance of 0.52% came from the pharmaceutical products.

Environmental Regulations

PGI's operations are currently compliant in all material aspects with the applicable environmental regulations and standards. However, there can be no assurance that Philippine regulators will not impose additional or more stringent regulations on the gas industry in general or on PGI and its operations in the future that could significantly affect PGI's costs of sales or operating expenses.

The Company's real estate operations are subject to various laws enacted for the protection of the environment. PC has complied with all applicable Philippine environmental laws and regulations. It is mandated to secure an Environmental Compliance Certificate from the Department of Environment and Natural Resources. Non-compliance with the stipulations embodied in the said certificate will cause its suspension or revocation and a fine not to exceed fifty thousand pesos (P50,000.00) for every violation. The Company believes that compliance with such laws is not expected to have a material effect upon its capital expenditures, earnings or competitive position.

Major Risk Factors and their Management

Major risk factors in PC's real estate business and their management

The parent Company's principal business is the development and sale of memorial park lots, a real estate business, and may involve the following risks:

1. Risk of over-optimistic estimation of an area (for a new memorial park development) in terms of the achievability of sustainable revenue and profit and the shortness of period taken to reach such sustainability for the new park. The said risk is avoided by doing a careful study of the area using criteria that measure the stability and growth of the local market's buying capacity and the robustness of the area's economy. The area is assessed in terms of number of existing/competing memorial parks, mortality rate and population growth, levels of net income and wages, capacity for steady employment, which is dependent on the area's capability and potential for business and industrial growth/expansions. The area's economy is likewise assessed as to what extent it is affected by the country's economic climate and growth.

2. Risk of decline in revenues and profitability, if not income loss, usually due to a combination of: a) competitors' pricing tactics and marketing/sales efforts that tend to reduce the Company's market share; b) local market's unanticipated feeble response to designed

marketing/sales programs; c) creeping or unabated inflation causing increased operating expenses and low sales since purchase of memorial lots is regarded by many as low priority expenditure; d) ingrained cultural practices like backyard burial. This risk is addressed and mitigated by the following:

a) The Company has firm belief and pride in the exceptional quality of its products and services relative to its competitors, and has a strong commitment to its customers in maintaining such superior quality. Such commitment and consistency of higher quality entail costs, a prime reason why the Company's products are priced above those of the competitors. Through the Company's park business managers and sales people, the prospective or target customers are educated on why the Company's products are priced higher than the competitors'. Further explained to these customers, are the benefits of buying such products from a Company that is dedicated to consistent high product quality and has long and significant experience in the development and management of memorial parks. Notwithstanding a higher-priced product, the Company's prospective buyers can purchase the same by way of 'soft and easy terms', as majority of its customers had done so, whereby they pay via instalment payments with no downpayment or interest charge for as long as three years.

b) Management regularly meets at least twice a year with its regional operations officers and all its park business managers to actively discuss and evaluate, among many other things, how the market reacts to the Company's current marketing strategy and sales programs and decide decisively on what manner of response or plan of action is to be undertaken.

c) Pricing of the products and services are adjusted, when necessary or called for, to a calculated level (such as discounts given) so that it will not negatively impinge on the buyer's decision to buy. Management believes that the price of memorial lots and other services should be indexed against the inflation rate.

d) On backyard burials, the Company continues to lobby with the municipal office of the area concerned to pass a specific ordinance banning such practice since there are laws (e.g., Code on Sanitation, P.D. No. 856) that prohibit such burials because of public health hazards.

3. Risk of a reduced capacity to continually maintain the park to its committed first class standards. Other than the regular increase in price to cope with inflation, this is addressed by increasing the charge on contribution to the park maintenance fund, which form part of the gross price of the memorial lot. Separately though, and when necessary, the memorial park association(s) imposes an assessment on the lot owners who after all are the stakeholders of the memorial park. Without this assessment(s), a situation leading to the deterioration of the park's maintenance could ensue, which absolutely cannot be allowed given the Company's avowed commitment and responsibility to maintain the memorial parks at set standards. Such commitment and assurances benefit the lot owners and users of the park as their investment are protected in the long run.

4. Risk of other developers putting up their memorial park despite limited market.

Major risk factors and their management in PGI's LPG and industrial gas business

PGI, the parent Company's subsidiary, is primarily engaged in the distribution and sale of LPG and industrial gases, mainly oxygen and acetylene. Since these are highly flammable gas products, the obvious principal risk is an operational one and relates to the hazards of handling and storage of these products. The particular risks involved are: (a) potential injury to people; (b) damage to property; (c) damage to environment; (d) or some combination thereof. The business losses arising from a disastrous consequence of any of these hazards are significant and could amount to several times that of the actual damage / losses and can further result in a longer-than-expected business interruption in any of PGI's refilling plants or terminals. Hazards can be due to any, or a combination, of the following: (1) intrinsic property of the product; (2) catastrophic ruptures/leakages; (3) unsafe refilling and receiving activities; (4) failure of safety valves; (5) un-requalified fire-protection equipment or devices; (6) potential sparks from presence of gasoline-fueled vehicles during refilling and receiving activities (7) discharge of LPG to the atmosphere because of leak(s).

Mitigation of the above risks is done through consistent and systematic application of management policies, procedures and practices concerning safety. There are continual tasks on analyzing, evaluating and controlling the different types of risks involved. Having identified and evaluated the risks, decisions are made on how acceptable the risk might be and the need for further actions to be undertaken, either to eliminate the risks or reduce them to a tolerable level. Risk management includes such elements as identification of possible risk reduction measures (which could be preventive or mitigative) and risk acceptability. PGI's risk management and mitigation system covers at least the following areas:

- Continuous identification of hazards and consequence analysis thereof (utilizing the *Structure What If Technique* or 'SWIFT');
- Fire prevention and fire-protection management program;
- Regular emergency response training and drill, and continued evaluation thereof;
- Maintaining operating standards in relation to safety practices and requirements and fire-preventive measures; and
- Training and continuing education of its personnel on safety and risk management

<u>Major risk factors and their management in Pryce Pharmaceutical Inc.'s business</u>

Pryce Pharmaeuticals, Inc. (PPI), a subsidiary of Pryce Corporation, operates in the distribution and sale of pharmaceutical products, mainly in vitamins and food supplements. Among the major risks involved in the business and in its industry are:

1. Dependence on Toll Manufacturers
   PPI purchases its products from different licensed medicine and pharmaceuticals traders and toll manufacturers. However, there are numerous circumstances beyond PPI's control that lead to delays in the manufacturing and delivery of orders. This increases the risk of disruptions in the company's supply chain should the toll manufacturer encounter operational issues and backlogged orders. In order to address this, PPI has developed a robust procurement system ensuring the continuity of supply for extended periods despite delays in manufacturing and delivery. PPI is also exploring further diversification of its suppliers by acquiring new products from other toll manufacturers, and even importing from other countries.

2. Perishable Nature of Pharmaceutical Products
   Most of PPI's products have shelf lives of two years, and distributors and retailers have requirements when it comes to the remaining shelf life of any orders. For the most part, any inventory with a remaining shelf life a year or less becomes unsellable without heavy promotions or discounts, thereby significantly affecting profitability. PPI manages this by executing a FIFO system and balancing its procurement with its forecasts based on seasonality and historical performance in order to ensure that the competing risks oversupply and undersupply are addressed. PPI takes full advantage of the time available for selling its products such that near expiry stocks are minimized and there are enough safety stocks to avoid outages.

3. Commoditized Industry and Low Barrier to Entry
   PPI experiences competition from major national and multinational pharmaceutical firms as well as numerous small and medium sized drug distributors. The availability of medicine traders and toll manufacturers to smaller pharmaceutical firms allow them to compete at a similar level to PPI and offer similar products. This creates a market with numerous players competing for market share offering homogenous products, creating a

very difficult environment. PPI has tried to differentiate itself by leveraging on the popularity of the “Pryce” brand for key markets and committing to increased marketing activities. PPI has also separated itself from smaller brands by investing in an above-the-line marketing campaign to increase brand awareness.

The discussion on Financial Risk Management is incorporated by way of reference to relevant parts of Notes to the Financial Statements (see Note no. 36), under the heading *Financial Risk Management: Objectives and Polices*.

Item 2. Properties

Completed Projects

The projects that the Company have previously reported and have long been completed, are: Wright Park Place Condominium, a 3-building cluster of 63 first class residential condo units in Baguio City; and Villa Josefina Subdivision, a mid-scale residential subdivision in Davao City consisting of 152 residential and 2 commercial lots. It has also completed and sold the Josefina Town Center in Davao City. The company’s other list of completed projects are enumerated below.

Cagayan de Oro Gardens

This is the first memorial park project developed by the Company, located in Lumbia, very near the city airport, with a wide frontage along the national highway. The project site is blessed with a scenic view of the Lumbia hillsides as well as part of the city and Macajalar Bay in the distance. The Cagayan de Oro River meanders at the bottom of a ravine adjacent to the property. The site has a total gross area of 20.76 hectares, of which total saleable area is estimated at 135,390 sq.m., equivalent to about 55,491 lawn lots, with an average size of 2.44 square meters per plot.

Development works commenced in June 1993 and were essentially completed in January 1995. This project began selling activities in April 1994. The general vicinity of CDO Gardens was relatively sparsely populated in 1995. At present, however, various residential subdivisions, ranging from very upscale to mid-level and to low-cost dwellings have sprouted in the area, making the park very accessible to its immediate target market. Even the largest mall in the city, SM City Mall, is located nearby.

Puerto Heights Village

This project was launched in August 1995 as an upscale residential subdivision in Cagayan de Oro City. It is a 14.9 hectare property in scenic Puerto overlooking Macajalar Bay. The site is considered very strategic, being located near the junction of two major national highways – one going to Bukidnon and Davao and the other one passing through Tagoloan, Misamis Oriental where a major international port terminal is in operation and the Philippine Veterans Investment Development Corporation (Phividec) Industrial Estate is located.

Pryce Tower

The Pryce Tower Building commenced construction in December 1995 and became the first high-rise condominium project in Mindanao. It is a 16-level first class building on a 1,965 sq.m. lot located at the Pryce Business Park in Bajada, Davao City. The building has 89 office suites with areas ranging from 106 to 390 sq.m. and two basement levels for parking. The building was completed in February, 1999.

Socialized Housing Projects

The Company has two low-cost housing projects as its contribution to government efforts to address the housing problem in the country. The first project is Mindanao Homes in Pagatpat, Cagayan de Oro City, which has been completed. The other one is St. Joseph Village, which sits on an 11- hectare property in Sirawan, Davao City with 356 House and Lot units and 496 Lot units only.

Villa Josefina Resort Village

This mid-to-upscale residential development is located on a 36.4 hectare property in Dumoy, Davao City. It has a beachfront along the Davao Gulf and a frontage along a national highway where the main entrance is located. The initial 23 hectares of the project comprising Phases I and II provide a total of 570 residential lots with an average size of 300 sq. m. per lot. Phase III, which comprises the beachfront area, measures some 13.4 hectares with a total of 174 saleable lots. Phase IV, with an area of 0.986 hectares, consists of smaller lots totalling 44, some of them containing housing units for the mid-scale market.

Pryce Business Park, Davao

The company has a 1.8-hectare prime property in the highly commercialized area of J.P. Laurel Avenue in Bajada, Davao City, diagonally across Victoria Plaza, a large shopping mall in the city. PC developed this property into a commercial cluster called Pryce Business Park. The development consists of 15 subdivided commercial lots with areas ranging from 600 to 1,965 sq. m. per lot. Construction of this business park was fully completed in 1997.

Pryce Plaza Hotel, Cagayan de Oro City

Pryce Plaza closed its operations on December 31, 2016. It was a premier business and convention hotel and was in operation for almost 26 years since it opened in April 1991. The hotel is located atop Carmen hill in Cagayan de Oro City and overlooks the city. Management decided to stop its operations as it has not been providing the desired returns the past years due mainly to the stiff and growing competition, which was compounded by the increasing costs of having to maintain an old hotel. The hotel has been contributing less than 1% to the Group's consolidated revenues.

Essentially Completed Projects

Pryce Business Park- Iligan City

The Pryce Business Park – Iligan City is semi-developed property, built on an 7.76-hectare property in the district of Tubod, Iligan City. As originally envisioned, this would serve as home to new or expanding businesses ready to take advantage of Iligan's continuing commercial growth.

In September 2014 this property (except a small 597-sq.m.portion) was sold to a major mall developer after some period of negotiation. With its strategic location, it is considered an ideal site for a mix-use development, including a mall with department stores, cinema, restaurants, and food galleries.

Maria Cristina Gardens

This is the second memorial park project of the Company, which is named after the most famous waterfalls in Mindanao, the Maria Cristina Falls. This memorial park somewhat takes on the character of the original landscape because it was built essentially around the natural topography of the site. It is located in Sta. Filomena, Iligan City on a 27.6 hectare property with a hilly terrain offering a panoramic view of Iligan Bay on one side and the city proper on the other. Its development plan replicates the facilities and amenities of Cagayn de Oro Gardens. Considering that Iligan City has no first class memorial park, demand for private burial plots has been holding steady.

Development works for Phase 1 commenced in Februrary 1996 while development of Phases II and III began In August 1996. As of date, all these phases are all fully or essentially completed, containing an area of 21.6 hectares. An additional 6.0 hectares are for development under Phase IV of the park is still under the planning stage. Selling activities began in October 1996. Under Phases I through III, a total of about 48,265 equivalent lawn lots are saleable under the existing configuration.

Zamboanga Memorial Gardens

This was designed in the same tradition as the Company's other memorial park projects in Cagayan de Oro and Iligan. It is Pryce's most ambitious memorial park project in terms of size, being located on a 49.16-hectare property in Sinunuc, Zamboanga City. The site also offers a panoramic view as it nestles on an elevated terrain overlooking the Zamboanga west coast, which is just a street across the site.

Development of Phase I commenced in July 1997, which was later divided into two phases, Phases I-A and I-B of 9.5 hectares and 9.7 hectares, respectively. These initial phases of the project, aggregate 19.24 hectares, with total saleable area of 103,988 sq.m. and equivalent to 41,595 lawn lots. The development of the second phase began in the early part of 2003. It has a gross area of 29.92 hectares, the saleable portion of which is 154,590 sq.m., equivalent to about 61,836 lots. Only about half of the second phase is essentially completed as of date, in terms of electrical, lighting, pathwalks, roads and landscaping works.

North Zamboanga Gardens

This is Pryce's fourth memorial park project. It sits on a 25.19-hectare property alongside the Dipolog River in Polanco, Zamboanga del Norte, within convenient driving distance from Dipolog City. A waterway passes through the park - a rainwater channel which empties into the Dipolog River – forming ponds and giving the project a unique alluvial character.

The first 10 hectares of the project commenced development in October 1997 and was completed in 1999; subsequently, in 2000, another area of 9.36 hectares was developed, while 4.19 hectares at the back was reserved for future development. Presently, the total saleable area measures about 137,350 sq.m., which is equivalent to 54,943 equivalent lawn lots. In 2008, the Company acquired an additional 1.6-hectare property adjacent to the park, which is reserved for future development.

Ozamiz Memorial Gardens

This fifth memorial park project of the Company became operational in late 2001. It is located on a 9.32-hectare property along the national highway connecting the cities of Ozamiz and Tangub within the barrio of Dimaluna, Ozamiz City, and against the backdrop of Mt. Malindang. This project commenced development works in December 1999 and became essentially completed in December 2002.

Total saleable area at present is roughly 60,460 sq.m. equivalent to 24,171 lawn lots. Selling operations for this project began in 2000.

Mt. Apo Gardens

Mt. Apo Gardens is the Company's sixth memorial park, named after the tallest mountain in Mindanao, which is highly visible from the site, is located in what was originally an 18.1 hectare property in Riverside, Calinan, Davao City; this project is essentially completed and has a currently-identified saleable area of 109,430 sq.m., equivalent to 43,772 lawn lots. An area near the entrance gate alongside the main access road has been reserved for future development. Properties adjacent to the park were subsequently acquired (8,539 sq.m. in August 2003 and 8,540 sq.m. in December 2002), with a total area of 17,079 sq.m., increasing the gross area of the project to 19.81 hectares.

The project secured approval from the city government to proceed with development works after a long wait of several years. Mobilization and preparatory works began in September, 2000 and were essentially completed in June 2002.

Pryce Gardens CDO-Manolo Fortich

In May 2004, construction of the Company's first so-called "boutique" memorial park began in Mambatangan at the northeast boundary of Cagayan de Oro with Manolo-Fortich, Bukidnon. The project is divided into three phases and is designed to yield a total saleable area of 96,250 sq.m. roughly equivalent to 39,446 lawn lots from a total land area of 12.14 hectares. The project's first phase is 95% complete with a small amount of remaining works to be finished in its water and electrical systems. The total saleable area under Phases I and II is 68,840 sq.m., which is roughly equivalent to 28,214 lawn lots. Two years ago, this project was reclassified by management from a boutique to a "Class A" park.

Pryce Gardens-Malaybalay

This is the second boutique memorial park project of the Company, construction of which began in March 2005. It is located in Brgy. Laguitas, Malaybalay City, Bukidnon, with a gross area of 4.94 hectares and a total saleable area of 36,846 sq.m., equivalent to 15,101 lawn lots. The project has hilly terrain and was essentially completed on March 31, 2007. The site has a commanding view of the hillsides and rolling terrain of Malaybalay and Valencia. In fact, it is located between Malaybalay and Valencia, enabling the project to tap the market in both locations. This project was likewise upgraded to a "Class A" park.

Pryce Gardens-Malita

Pryce Gardens-Malita is a boutique memorial park in the Company's portfolio. Construction also began in March 2005. The project is located in Bgry. Bolita, Malita, Davao del Sur and has total land area of 6.17 hectares, of which only 2.91 hectares is fully developed. The project has a scenic view of the surrounding hillsides. Total saleable area at present is estimated to be 44,255 sq.m. (Phases I and II) which translates to 18,064 equivalent lawn lots. The project has two phases, Phase I and Phase 2 and they are 100% and 85% accomplished, respectively.

Pryce Gardens-Bislig

Also classified as a boutique memorial project of the Company, this is located in Kahayag, Bislig, Surigao del Sur. Construction for this project began on June 14, 2005 and was essentially completed by end of 2006. The land has a gently rolling terrain similar to Pryce Gardens-Malaybalay with a gross area of 5.76 hectares and saleable area of 37,848 sq.m. equivalent to 15,415 lawn lots.

Pryce Gardens-Alabel

Another boutique memorial park of the Company is located in Alabel, Sarangani, almost adjacent to the town's public cemetery. The site is also a short travelling distance from General Santos City. Its construction began in February 2007 and was operational by the time it was formally launched in April 2008. The park has a total land area of 4.9 hectares and offers a saleable area of 35,625 sq.m. or 14,549 equivalent lawn lots.

Recently Completed Project

Pryce Gardens-Pagadian

In June 2014, the 5-hectare Phase 1 of *Pryce Gardens-Pagadian* project was completed and became operational. Phase 1 has a total saleable area of 36,612 sq.m., roughly equivalent to 14,650 lawn lots. Roads and path walks account for 9,800 sq.m. while the chapel, parking areas and open space consist of 2,052 sq.m. This project occupies an 8.96-hectare land nestled on the hillsides of Bgy. Poloyagan overlooking Iliana Bay, the Pagadian seaport, and parts of the city across the bay. It is in the southern part of the city and can be reached thru 7 kilometers of well-paved road.

Other Properties

The following table provides information on the Company's land bank consisting of properties that are 100% owned (unless otherwise stated). The Company's land bank includes land still in the name of third parties but already sold to the Company based on documents of conveyance.

Location	Total Area (in sq.m.)
Cagayan de Oro City	
Tin-ao	134,187
Bugo	315,189
Bulua	242,000
Misamis Oriental	
Balingasag	170,745
Tagoloan*	450,000
Sta. Ana	1,261,034
Polomolok, South Cotabato	67,521
Malagos, Davao City	703,728
TOTAL	3,344,404

*Jointly owned with the family (heirs) of the late Raul R. Solidum

Joint Venture

The Company had been involved in joint venture arrangements covering the development of raw land adjoining the Company's properties such as the Villa Josefina Resort Village project. Under the terms of the separate agreements, the Company's partners were to contribute their respective properties as equity in the joint venture. In turn, the Company would undertake the development of all access roads, utility systems and open space facilities and the marketing and selling of the lots.

Another joint venture arrangement involved the Pryce Tower in Davao, for which other parties contributed roughly 30-35% of development cost.

LPG Plants

By strategically locating its facilities (marine terminals and refilling plants) near major population centers, PGI was able to build an extensive supply distribution infrastructure that successfully supported its efforts in making PryceGas, its LPG brand, a household name in the local LPG market, particularly in theVis-Min regions.

In selling PryceGas, PGI divided Mindanao and the Visayas into seven marketing regions namely: Northern Mindanao, Southern Mindanao, Caraga, Western Mindanao, Western Visayas, Central Visayas and Eastern Visayas. The marketing operations of Northern and Southern Mindanao, together with the Caraga Region (comprised of Butuan and Surigao provinces), are supported by storage capacities of 1,200-MT and 2,200-MT sea-fed terminals located in Balingasag, Misamis Oriental and Astorga, Davao del Sur, respectively. To serve the market in Western Mindanao, PGI constructed a 1,010 MT storage terminal in Zamboanga City. Aside from these import terminals, PGI also built three satellite refilling plants in Taguibo, Butuan; Polomolok, South Cotabato and Aurora, Zamboanga del Sur in order to service the remote markets. The facilities are within convenient shipping distance to large population centers thus ensuring its customers a ready supply of PryceGas.

Applying the same strategy for the Visayas, PGI built a 2,590 MT storage import terminal in Sogod, Cebu to serve the growing LPG markets in Cebu and Bohol. It also built 1,000 MT storage import terminal in Albuera, Leyte to cover the Eastern Visayas markets. Two 900-MT storage import terminals were each constructed in Ayungon, Negros Oriental and Ajuy, Iloilo to cover the Central Visayas and Western Visayas Markets. The company also constructed several refilling plants in Pavia, Iloilo; Silay, Negros Occidental; Canduman Naga, Cebu; and Tacloban, Leyte.

For many years, PGI had eyed Luzon as the desirable yet challenging market to break into. After scouting for a feasible property in Northern Luzon, it finally chose one in the coastal area of San Fabian, Pangasinan. So that in mid-2013, it was able to build its initial 4,200-MT (gross capacity) marine-fed LPG storage therein, consisting of two (2) tanks with gross capacity of 2,100 MT each. These tanks were commissioned when it received its maiden load of imported LPG. A third tank, also with capacity of 2,100 MT, was constructed in May of 2013 and completed in March 2014. Construction of the fourth tank began in March 2015 and was completed in early February 2016, bringing San Fabian's total storage capacity to 8,400 MT. On refilling plants in Luzon and certain parts of NCR, PGI and its subsidiary, Oro Oxygen Corporation, had acquired, consigned or leased a total of 32 refilling plants in various locations (increased from the previous year's 26 refilling plants), with storage capacities ranging from 25 to 120 MT.

The aggregate LPG storage capacity of PGI thru its sea-fed or marine terminals and inland refilling plants is 22,313 metric tons (MT) which are distributed across the country as shown below.

Type	Region Location	Number	Capacity (MT)
LPG Marine Terminal	Luzon	1	8,400
	Visayas	4	7,390
	Mindanao	3	4,410
	Sub-totals	**8**	20,200
LPG Refilling Plants	Luzon	32	1,643
	Visayas	9	290
	Mindanao	**6**	180
	Sub-totals	**47**	2,113
		Total	22,313

The additionally constructed 2,100-MT storage tank at the import-marine terminal in Albuera, Leyte begins commercial operations in January 2017, thereby increasing Visayas' regional storage capacity to 7,390 MT from the previous year's 5,390 MT. (See related disclosure in the ***Plans and Prospects*** under Item 6, Part II.)

Encumbered Assets

Over the period that the Company was in corporate rehabilitation, it was able to settle its debts with the creditor banks in a gradual manner through the following: a) implementation of the court-approved rehabilitation plan; b) pursuance of effective legal defences against the opposition of two creditor banks, Bank of the Philippine Islands (BPI) and China Banking Corporation (CBC), to PC's rehabilitation; and c) settlement with certain creditors via sale of an encumbered asset with the consent of the Commercial Court. PC's rehabilitation proceedings would have been consummated much earlier were it not for the opposition of the said two banks which went all the way to the Supreme Court with PC eventually winning the final rulings in that court.

The remaining encumbered properties under the Mortgage Trust Indenture (MTI), which secured the Company-issued long-term commercial papers (LTCP) in December 1995 (at aggregate amount of Php 300 Million) were finally released in January 2016, months after PC's rehabilitation proceedings was terminated in July 2015. Earlier in August 2014, a portion of the of the MTI collaterals (Davao commercial lots) was released after the consent / approval of the majority creditors was obtained as a consequence of the settlement of a significant portion of the LTCP loan.

The assets earlier mortgaged to CBC (as part of the collateral of the Company's P200 million loan line with said bank) have been released from mortgage. Comprising these assets are the following: 30 office condominium units at the Pryce Tower in Davao City; 34 residential lots at Puerto Heights Village in Cagayan de Oro City; 5-hectare lot in Cagayan de Oro Gardens; 11,937-sq.m. undeveloped property in Brgy. Del Carmen, Cagayan de Oro City; 31 residential lots at Villa Josefina Resort Village (Phase III) in Davao City; and 4 lots in Mt. Apo Gardens, Davao City.

Assets which secured a short-term loan with the BPI have also been released from mortgage. The following properties comprise the previously mortgaged assets: 77,761-sq.m. semi-developed property, Iligan Town Center; and 5 subdivision lots in Puerto Heights Village in Cagayan de Oro City. In September 2014, the Iligan property was sold to a mall developer and the sales proceeds were used in the settlement of the aforesaid loan there causing said release from mortgage. (Earlier mortgaged to BPI too were 5 residential lots at the Villa Josefina Resort Village, Davao City; however, BPI filed extra-judicial foreclosure on these properties and eventually were auctioned off on February 26, 2004. The proceeds of the said auction were applied to the reduction of the Company's obligation with BPI.)

Item 3. Legal Proceedings

The Company and its subsidiaries are a party to pending cases and believe they have meritorious causes of action and defenses with respect to all pending litigation and intends to defend such actions vigorously. Moreover, its directors and officers have no knowledge of any other proceedings pending or threatened against the Company and its subsidiaries or any facts likely to give rise to any proceedings which might materially affect the position of the Company. Enumerated and discussed below is the status of various pending cases as of **December 31, 2016**. Apart from the cases enumerated below, the Company and its subsidiaries are likewise involved in other legal cases that occurred under the ordinary course of business or will not materially affect the parent Company's or its subsidiaries' operations as a whole.

1. **<u>Pryce Corporation vs. Raul P. Solidum, et al.</u>**
   Civil Case No. 98-571, Branch 17, RTC of Misamis Oriental

   Nature: This is an action for "Specific Performance" against the Solidums relative to the 52 hectare lot at Casinglot, Tagoloan, Misamis Oriental. Pryce Corporation entered into a Memorandum of Agreement with the Solidums, thru their attorney-in-fact, Atty. Purita Ramos, whereby the Solidums undertook to sell to Pryce Corporation the property, conditioned upon the removal of the squatters and conversion of the property into industrial/commercial use. The Solidums failed to remove all the squatters and execute the deed of sale, despite advances of about PhP8million. The parties finalized a Memorandum of Agreement, which was subsequently annotated by the Provincial Register of Deeds of Misamis Oriental on the Transfer Certificate of Title of the subject lot.

   Status: The Memorandum of Agreement is still subsisting and the parties continue to observe the terms thereunder.

Related cases stemming from China Bank's challenging the Company's court-approved corporate rehabilitation plan:

1. **<u>Pryce Corporation vs. China Banking Corporation</u>** <u>(or "**China Bank**")</u>
Civil Case No. 2005-231, Branch 20, RTC of Misamis Oriental

Nature: This is a case filed by Pryce Corp. against China Bank for injunction since the latter is consolidating its title over certain properties of the former by virtue of an extra-judicial foreclosure sale despite a Stay Order that was issued by the RTC, Branch 138 (which is now with Branch 149), Makati City, in Special Proceeding Case no. M-5901, which pertains to Pryce Corp.'s petition for corporate rehabilitation that was filed before such court on July 9,
2004.

Status: Pryce Corporation and China Bank have worked out a compromise agreement.

Other cases arising from China Bank's refusal to comply with the Company's corporate rehabilitation plan approved by the commercial court (i.e., to release titles to properties that are without actual mortgage):

1. **Sotero Octobre vs. Pryce Corporation** (or the Company) **and China Banking Corporation**
HLURB Case No. LSS-X-REM 518-04-008, Cagayan de Oro

Nature: This is a case for rescission of contract with damages. The action was instituted by Octobre due to the failure of Pryce Corporation to execute the deed of sale and transfer of title over the lots purchased at Puerto Heights Village. Pryce Corporation alleged that it was prevented due to the fact that receivables on the payment of the lot were assigned to China Banking Corporation, with the transfer certificate of title on said lot being held by the China Banking Corporation.

Status: A decision has been rendered by the Regional Arbiter finding the Company liable and directing the payment of the total installment payments plus damages. After the denial of its Motion for Reconsideration, the Company appealed the decision to the HLURB Board of Commissioners. The latter set aside the Decision of the Regional Office and rendered a new decision which, aside from requiring the refund of **P4,292,297.92** with legal interest in the event of failure or refusal within 30 days by the Company to deliver the title, in addition, it required the Company to pay damages, attorney's fees and cost of suit totaling **P82,868.12**. The Motion for Reconsideration of the Company was denied and its Motion for suspension of proceedings due to the pendency of the rehabilitation proceedings was likewise denied. The Company appealed this case to the Office of the President. However, the Office of the President affirmed the ruling of HLURB's Board of Commissioners. Thus, the Company filed a Petition for Review Under Rule 43 before the Court of Appeals in Manila. The parties were ordered to submit their memoranda, after which the case shall be deemed submitted for resolution. The Company already filed its Memorandum last October 14, 2008. An adverse decision was promulgated on December 11, 2008. The Company had filed a Motion for Reconsideration from said Decision. On 24 February 2009, the Court of Appeals issued a resolution denying the Company's motion for reconsideration. On 3 April 2009, the Company filed a Petition for Review on Certiorari under Rule 45 with the Supreme Court, which is pending resolution.

2. **Alejandro B. Adaptar and Grace A. Adaptar vs. Pryce Properties Corporation (now Pryce Corporation)**
HLURB Case No. REM-01-18-06-317

Nature: Complainants filed a case to rescind his contract to purchase a parcel of land in the Villa Josefina Resort Village in Davao to respondent and to get a refund of the purchase price.

Status: On 30 April 2010, the HLURB Board of Commissioners rendered a Decision which set aside the decision of the HLURB Regional Office, and directed that China Banking Corporation be impleaded as party-defendant in the case. The Decision further directed the case to be remanded to the Regional Office for further proceedings. The

HLURB Board of Commissioners denied the Motion for Reconsideration filed subsequently by Sps. Adaptar. Thereafter, Sps. Adaptar elevated the case through a Petition for Review with the Office of the President. The Company filed its Reply Memorandum on March 2011. The Office of the President dismissed the Petition for Review of Sps. Adaptar. Thereafter, Sps. Adaptar filed a Motion for Reconsideration, which was denied by the Office of the President. The Resolution denying the Motion for Reconsideration has lapsed into finality.

3. **Pryce Corp. vs. Solicitor General, et al.**
Civil Case no. CV-ORD-2015-215
RTC-Cagayan de Oro City, Branch 17

Nature: PC is asking the Court to render an interpretation of Section 4 (a) 9 of Republic Act no. 7432 (also known as "Senior Citizens' Act", as amended Republic Act no. 9257 and as further amended by Republic Act No. 9994 to the effect that it does not include interment services as being covered by the 20% discount to be availed of by the deceased senior citizen or his/her heir(s).

Status: Considering the matter subject of this case is purely legal, the Court deemed that there is no need for trial on the merits and directed the parties to submit their respective memorandum. The parties have already filed their respective memorandum and the case is submitted for resolution.

Cases involving directors and officers of Pryce Corporation:

The disclosure hereunder notwithstanding, it must be emphasized that these cases were filed due to alleged malfeasance by the said directors/officers in their capacity as such and allegedly in connection with the performance of their official functions.

1. **Pilipinas Shell Petroleum Corporation versus Pryce Gases, Inc. (PGI), et al.**
Department of Justice, Manila. I.S. No. 2005-56 for Trademark Infringement, Unfair Competition, Violation of BP 33, Theft and Estafa.

Nature: The directors and officers of Pryce Gases, Inc. were implicated in this case because of the alleged existence of conspiracy. Neither the directors nor the officers issued any directive whatsoever, much less, passive acquiescence to commit fraud or crime for that matter. There is no basis, therefore, for the allegation of conspiracy.

Status: A Resolution was released by the DOJ dismissing the case. Pilipinas Shell filed a Motion for Reconsideration (MR). Accordingly, PGI filed its Comment and/or Opposition thereto. After Shell filed its Reply to the Comment and/or Opposition, PGI filed a Rejoinder thereto. PGI is still awaiting the resolution of Shell's Motion for Reconsideration.

2. LPGIA vs. the Directors and Officers of Pryce Gases, Inc. and Oro Oxygen Corporation
Provincial Prosecution Office of Rizal
NPS Docket No. XV18M-INV-15H-03386, For: Trademark Infringement, and Violation of BP 33 and RA 623
City Prosecution Office of Taguig, for Trademark Infringement, and Violation of BP 33 and RA 623

Nature of the Case:

The Complaints were filed indiscriminately against all the directors and officers of PGI and OOC because of presumed consent and acquiesce to commit the offenses. There is no allegation in the Complaints however that alleges with particularity the identity of offenders or how the offender is connected with the companies, much less the actual personal participation its board of directors and officers in the alleged commission of the offenses. Complainant further bases its Complaint, among others, on noticeably intercalated invoices, for which countercharges of falsification have been filed.

Status:
City Prosecution Office of Taguig: Last February 28, 2017, The complainant was dismissed by the Office of the City Prosecutor for insufficiency of evidence.
City Prosecution Office of Rizal: Charges against the directors and officers of PC involved (Salvador P. Escaño, Efren A. Palma, Xerxes F. Escaño, Simeon S. Umandal and Erica P. Encabo) were dismissed by Prosecutor's Office of Rizal. The complainant had filed a motion for reconsideration which is still pending resolution.

3. Eastern Petroleum Corp. versus Efren A. Palma

Provincial Prosecution Office of Cavite
NPS Docket No. XV-03-INV-16H-2849
for Violation of BP 33 and RA 8293

Nature of the Case:

Mr. Palma only became aware of the above-captioned Complaint when he received the Resolution of the prosecutor in January of 2017. It is apparent from the records of the case that notices and other papers were delivered to the wrong address except, strangely, for the Resolution itself, which was delivered to the correct address. As such, Mr. Palma was not able to deny any wrongdoing by the company as alleged in the complaint and present his defenses, including especially that he is not the President of Pryce Gases, Inc., nor is he managing the erring refilling plant or personally involved in the day-to-day operations of the company. It would have been easily verifiable from the public documents, which were attached to the complaint itself, that Mr. Palma's position in Pryce Gases, Inc. is as Chief Financial Officer.

Status: Mr. Palma filed a motion for reconsideration and for re-investigation. The office of the prosecutor granted the motion last February 27, 2017, and ordered that the Resolution be set aside. Countercharges for perjury have likewise already been filed.

Item 4. Submission of Matters to a Vote by Security Holders - None.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's shares are listed in the Philippine Stock Exchange (PSE), the table below shows the quarterly high and low prices of PC's (or 'PPC') shares traded for the year 2016.

Year	High	Low
2016		
First Quarter	3.13	2.10
Second Quarter	3.07	2.62
Third Quarter	4.05	2.78
Fourth Quarter	5.70	3.30

Trading of PC's shares was actually suspended on two occasions, both of which pertain to the Company's corporate rehabilitation. The first was shortly after the Company filed its petition for corporate rehabilitation with the Regional Trial Court of Makati (RTC-Makati) on July 9, 2004. This suspension was subsequently lifted on January 26, 2005 after the RTC-Makati approved the Company's corporate rehabilitation plan on January 17, 2005. The second suspension came on June 5, 2006 as a result of the ruling of the Court of Appeals (CA) on the petitions for review (of PC's rehabilitation plan approved by the lower court) filed separately by creditor banks China Banking Corp. (CBC) and Bank of the Phil. Islands (BPI) before different divisions of that appellate court. These cases have reached the Supreme Court and were resolved in favour of Pryce Corporation, which are discussed under the heading *Corporate Rehabilitation* in Part 1, Item 1, of this annual report. On March 16, 2015, following the Supreme Court's favourable decision, trading suspension of PPC shares was lifted by the PSE, resulting in the active trading of the shares thereafter.

As of December 29, 2016 (the last trading date in that year), the market price of the company's share closed at P5.00 per share.

Public Ownership of PC shares as of December 31, 2015

	% to Total Outstanding Shares	Number of Shares
Total Outstanding Shares	100%	2,000,000,000
Less:		
Directors	3.01%	60,225,966
Senior Officers	0.01%	297,820
Affiliates	24.41%	488,181,212
Sub-total	27.43%	548,704,998
Shares owned by the public	72.57%	1,451,295,002

Holders

As of December 31, 2016, the company has 369 stockholders; 95.94% of the outstanding shares as of date hereof are registered in the name of persons who are citizens of the Philippines or corporations or associations organised under the laws of the Philippines at least 60% of the capital of which is owned by Philippine citizens.

Top 20 Shareholders as of December 31, 2016

Rank	**Account Name**	**Number of Shares**	**Percentage to total**
1st	Guild Securities, Inc.	1,017,140,468	50.86%
2nd	PCD Nominee Corp.	578,808,520	28.94%
3rd	Hinundayan Holdings Corp.	160,708,000	8.04%
4th	PCD Nominee Corp. (non Filipino)	81,169,450	4.06%
5th	Pryce Development Corp.	61,800,000	3.09%
6th	Salvador P. Escano	33,492,660	1.67%
7th	Sol F Escano	27,909,000	1.40%
8th	Pryce Insurance Consultants Inc.	5,175,000	0.26%
9th	Four Treasures Development Corp.	4,808,616	0.24%
10th	CBC T/A #501-0091	4,528,720	0.23%
11th	JGF Holdings, Inc.	3,221,427	0.16%
12th	Networth Land Mgt. Corp.	3,068,514	0.15%
13th	Notre Dame of Greater Manila	2,300,000	0.12%
14th	Pryce Plans, Inc.	1,830,000	0.09%
15th	Salvador P. Escano ITF Pryce Development Corp.	1,684,450	0.08%
16th	Pryce Securities, Inc.	1,008,000	0.05%
17th	Jack &/or Frank Gaisano &/or Edward &/or Margaret Gaisano	575,000	0.03%
18th	CBC T/A #501-0091 FAO: PPI	450,000	0.02%

19th	Fernando L. Trinidad ITF Pryce Development Corp.	417,000	0.02%
20th	MBTC-TBG ATF	405,000	0.02%

* PICI is not an affiliate of the Pryce Group.

Dividend History

Since 1989, the year the Company was incorporated, there have been three cash dividend declarations. In 1994, the Company declared and paid cash dividends of P0.02 per share. In 1995, the Company declared cash dividends amounting to P0.04 per share to stockholders on record as of January 25, 1995 and P0.03 per share to stockholders on record as of September 10, 1995. These cash dividends were paid on February 8 and September 30, 1995, respectively.

In 1997 the Company declared a 15% stock dividend to stockholders on record as of April 10, 1997; these dividends were paid on April 16, 1997.

Payment of cash dividends on the shares in the future will depend on PC's earnings, cashflow, financial condition, capital investment requirements and other factors.

On November 11, 2016, PC's Board of Directors approved the adoption of a dividend policy wherein 50% of the prior fiscal year's consolidated net income after tax will be distributed in cash to the shareholders as dividends. Dividend declaration and payout will be subject to the requirements of existing laws and rules and regulations and may be restricted by circumstances such as, but not limited to the need for substantial capital outlays for expansion programs or working capital. The Board may, at any time, revise this dividend policy depending on the results of operations and future projects and plans of the company.

Item 6. Management's Discussion and Analysis or Plan of Operation

2016 Compared to 2015

Pryce Corporation turned in a robust performance for 2016. Consolidated revenue for the year ended December 31, 2016 posted a hefty increase of 16.4% to P6.7 billion from P5.8 billion in 2015 owing to a significant leap in LPG volume (despite further softening in price) and increased real estate sales. While consolidated gross profit rose to P1.7 billion in 2016 from P1.5 billion in 2015, gross profit margin slightly dipped to 25.5% from 25.9% in 2015 due to the dampening effect of the continued fall in LPG price. Net income after tax climbed by 64% to P966.1 million in 2016 from P589.1 million in 2015.

Revenue contribution by product line is as follows: liquefied petroleum gas (LPG), P6.1 billion (91.2% of total); industrial gas, P382.5 million (5.7%); real estate sales, P133.6 million (2.0%); hotel operations, P37.1 million (0.5%); and pharmaceuticals, P35.2 million (0.5%).

LPG under the PryceGas brand and industrial gases are product lines of the subsidiary, Pryce Gases, Inc. (PGI). Real estate sales and hotel operations (that was closed on December 31, 2016) are under the holding company Pryce Corporation while vitamins and supplements are the products of Pryce Pharmaceuticals, Inc.(PPhI). Oro Oxygen Corporation (OOC), a subsidiary of PGI, is the engaged in the marketing and distribution of LPG and gases in Luzon. PGI and PPhI are subsidiaries of Pryce Corporation.

Revenue and Volume Growth

Revenue growth of 16.4% in 2016 from P5.8 billion in 2015 to P6.7 billion was bolstered by an almost 30% increase in LPG volume and a 62.6% growth in real estate sales. While the further round of price falls in 2016 caused average LPG selling price to drop by 11.7% in 2016, sales volume growth from 146,188 MT in 2015 to 189,551 in 2016 more than made up for the slack in price. In terms of revenue, Visayas and Mindanao contributed 51.4% while Luzon only accounted for 48.6%.

Industrial gases for 2016 posted a 15.4% increase in revenues to P382.5 million in 2016 from P331.5 million in 2015 and a 14.2% increase in volume of cylinder refills.

The 62.6% increase in revenue from real estate to P133.6 million in 2016 from P82.1 million in 2015 was largely due to the sale of a parcel of raw land. Revenue from memorial lots slighty dropped by 2.4% from P54.5 million in 2015 to P52.9 million in 2016. Revenue from hotel operations and pharmaceuticals yielded increases of 5% and 18.1% respectively.

Price Movement and Market Demand

The international price of LPG, referred to as the Contract Price or CP, continued its downtrend for the most part of 2016. For the first ten months of 2016, CP hovered around the range of $300 - $350 per metric ton (MT). Average annual CP slipped further by 24.4% to US$346.08 in 2016 from US$430.54 per MT in 2015. The continued softening of world prices, which in turn translated into cheaper price of LPG to consumers and industrial users caused countrywide demand to maintain its double digit growth of 14.1% in 2016, up from the 13.5% growth achieved in 2015.

Real estate operation which involves the sale of the company’s inventory of raw land, developed properties and memorial lots will largely follow trends in the real estate industry, which is currently on the upswing. Pricing is negotiated between buyer and seller, except for memorial lots wherein price is determined by product positioning and already published prices, leaving not much room for price negotiations.

Competition and Market Share

There are currently six (6) players in the LPG industry that operate marine terminals and refilling plants for the marketing and distribution of LPG in the country. Four (4) of the six terminal operators have nationwide operations while two (2) only serve the Luzon market. Luzon is a highly competitive market with five (5) terminal operators doing business alongside more than a hundred independent small to medium-size refillers who market branded or generic LPG sourced from the five (5) terminal operators. The LPG market in Visayas and Mindanao, on the otherhand, is served by only four (4) terminal operators who only sell their own brands through their respective network of dealers and outlets.

As of 2016, DOE statistics showed that PGI has become the third largest player in the industry with an aggregate market share of 12.74% nationwide, slightly up from its 12.1% share in 2015. PryceGas market share in 2016 was 10% in Luzon, 22% in Visayas and 26% in Mindanao.

PGI strives to further increase its market share by building additional infrastructure and implementing strategic initiatives designed to widen its market reach.

Profitability

The company has successfully managed to end 2016 with a 64% jump in net income to P966.1 million from P589.1 million in 2015. While the selling price of its main product, LPG, absorbed an average reduction of 11.7% in 2016, gross margins on LPG only dipped by 0.7% as management introduced product sourcing and payment terms that had a very significant impact on cost. While operating expenses rose from P718.7 million in 2015 to P761.5 in 2016, operating expenses as a percentage of sales registered an improvement to 11.3% in 2016 from 12.5% in 2015. The resulting income from operations grew by 22.9% from P774.8 million in 2015 to P952.4 million in 2016.

Other income and charges amounting to P165.4 million consisting of fair value adjustments and other income further buoyed income from operations, resulting in an income before tax of P1.1 billion which is 55% higher than P717.4 million achieved in 2015.

A remeasurement loss on retirement benefit amounting to P12.7 million taken up in 2016 resulted in a comprehensive income of P953.4 million.

Earnings per share based on 2016 comprehensive income of P0.477 per share is a 57.9% improvement over the P0.302 per share recorded in 2015.

Liquidity

Total liquid assets as of yearend 2016 is P1.1 billion, consisting of P628.1million in cash and P429.6 million in financial assets at fair value (equity securities), represents a 48.5% growth over the P712.2 million balance in 2015. Liquidity ratios exhibited a marked increase from 1.83x in 2015 to 2.21x in 2016.

Balance Sheet Changes

Compared to the December 31, 2015 audited financial statements, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash	90.33%	Due to the increase in revenue and availment of short-term loans
Financial assets at fair value	12.40%	Due to unrealized gain on marketable securities
Trade and other receivables	(7.7%)	Improved collection of receivables
Inventories	13.75%	Due to increase in sales volume and increase in LPG importation
Prepayments and other current assets	27.16%	Increase in prepaid taxes and creditable withholding tax
Advances to related parties	(98.21%)	Collection of advances
Property, plant and equipment	101.87%	Recognition of appraisal increment and additional construction of LPG facilities
Deferred tax assets	309.65%	Recognition of deferred tax assets
Trade and other payables	(58.93%)	Payments of accounts
Income tax payable	193.71%	Increase in net income
Installment contracts payable	(100.00%)	Full payments of accounts in 2016

Short-term debts	100.00%	Availment of short-term loan
Customers' deposits	16.58%	Due to increase in down payment for lots/services
Retirement benefit obligations	8.09%	Increase in accrual of benefit as a result of latest actuarial valuation
Advances from related parties	(82.48%)	Collection of advances
Deposit for future stock subscription	100%	Advance for subscription of shares of stocks
Deferred tax liabilities	1055.50%	Due to increase in revaluation increment in property and equipment
Other comprehensive income	1559.29%	Due to recognition of appraisal increment
Deficit	(392.48%)	Due to net income of 2016
Treasury stock	(100.00%)	Disposal of the shares
Non-controlling interest	30.85%	Due to share in net income

Numerical Performance Indicators

The measures of sales performance and revenue growth are presented below.

REVENUE GROWTH			
Pryce Corporation & Subsidiaries			
	2016	**2015**	Percent Growth/ (Decline)
REVENUE	Php 6,722,160,460	Php 5,773,112,991	16.44%

VOLUME GROWTH			
Principal Product – Liquefied Petroleum Gas			
	2016	**2015**	Percent Growth/ (Decline)
LPG (in kgs)	189,551,484	146,188,473	29.66%

The measurements of profitability broken down by company are shown below.

PROFITABILITY			
Pryce Corporation & Subsidiaries			
	2016 (Dec. 31, 2016)	**2015 (Dec. 31, 2015)**	Percent Growth/ (Decline)
Return on Assets (%)	14.19%	11.31%	25.55%
Return on Equity (%)	22.29%	20.98%	6.23%
Net profit margin (%)	14.37%	10.20%	40.85%

The liquidity and solvency measurements are shown below:

LIQUIDITY		
Pryce Corporation & Subsidiaries		
	2016	**2015**
Current ratio	2.21	1.83
Debt to equity ratio	0.44	0.63

Plans and Prospects

PC will remain focused in its memorial park business, while it seeks to dispose of its remaining non-memorial park inventories such as subdivision lots, office condo units, and certain raw lands. It endeavours to complete its memorial park in Brgy. Bit-os in Butuan City by the fourth quarter of 2017. As designed, this project will have a total saleable area of 44,757 square meters, roughly equivalent to 18,343 equivalent lawn lots.

PGI's newly completed 2100-MT storage tank in its import-marine terminal in Albuera, Leyte and commenced commercial operations in January 2017. This increases that terminal's total storage capacity to 3,100 MT, so that discharging of the imported LPG becomes more efficient as it will now be able to fully accommodate the normal 2500-MT LPG carriers, as opposed to sharing a shipload with other terminals of the company. This project is in response to the increasing demand of LPG in the Eastern Visayas region and will thus mean greater revenues for that region.

Increases in storage capacities are also planned for PGI's marine terminals: a) 1,200 MT in addition to the existing the 2,200-MT capacity in Sta. Cruz, Davao Del Sur; and b) 1,200 MT in addition to the existing 2,590-MT capacity in Sogod, Cebu. These actions are in response to the growing markets therein and show PGI's serious intent to enhance and further solidify its market positions in those regions.

2015 Compared to 2014

Consolidated revenue for the year ended December 31, 2015 amounted to P5.77 billion, an 8.84% decline from the previous year's record of P6.33 billion, largely due to the fall in the world price of LPG. Consolidated gross profit, however, leapfrogged from P1.07 billion in 2014 to P1.49 billion in 2015. Gross margins of 16.86% in 2014 jumped to 25.87% in 2015. Net income after tax almost doubled, increasing by 98.39% from P269.92 million in 2014 to P589.06 million in 2015.

Revenue contribution by product line is as follows: liquefied petroleum gas (LPG), P 5.29 billion (91.67% of total); industrial gases, P331.47 million (5.74%) ; real estate sales, P82.14 million (1.42%)

; hotel operations, P35.26 million (0.61%) ; pharmaceuticals, P29.82 million (0.52%) and the remaining balance came from sale of fuels.

Gross profit and profit margins across all product lines showed remarkable improvements. LPG turned in the highest gross profit contribution of P1.31 billion, a marked increase from the previous record of P685.18 million in 2014. Gross margins on LPG rose from 13.22% in 2014 to 25.09% in 2015. Gross profit from industrial gases declined by 19.79%, from P154.18 million in 2014 to P123.66 million in 2015; profit margins were, however, maintained at same levels, dipping to only 37.31% in 2015 from 39.42% in 2014.

Higher gross profit, the tight rein on operating expenses and the realization of higher levels of other income achieved in 2015 not only absorbed the impact of write-offs recognized in 2015 but also allowed net income to surpass that of 2014 by 98.39%.

LPG under the Prycegas brand, industrial gases and fuels are product lines of the subsidiary, Pryce Gases, Inc. (PGI). Real estate sales and hotel operations are under the holding company, Pryce Corporation while vitamins and supplements are under Pryce Pharmaceuticals, Inc. Oro Oxygen Corporation (OOC), a subsidiary of PGI, is engaged in the same business as PGI whose operations are concentrated in Luzon.

Revenue and Volume Growth

Despite a 29.03% growth in LPG volume moved in 2015, consolidated revenues registered a 8.84% dip largely due to the continued fall in the price of LPG, the increased percentage share of Luzon where average LPG prices are lower by 40% from those in Visayas and Mindanao and the absence of non-recurring sale of a commercial property that had a significant impact on revenues in 2014. While LPG sales volume increased by 29.03% from 113,294 metric tons (MT) in 2014 to 146,188 MT in 2015, average selling price dropped by 22.08% in 2015. Luzon’s share of total revenue in 2015 was 50.96% while that of Visayas-Mindanao was 49.04%. Of total volume sold in 2015, Luzon accounted for 59.3% while Visayas & Mindanao contributed 40.69%.

LPG cylinders sold increased by 30.57% in 2015. Revenues, however, only showed a slight uptick of 1.78% because of promotional programs launched by the company to drum up sales.

Volume sold and revenues realized from the sale of industrial gases shrunk by 15.39% and 15.26% respectively between 2014 and 2015. This contraction was an expected consequence of management’s decision to improve the quality of its sales by veering away from credit sales in favor of cash transactions and the selective curtailment of the lending out of cylinders. Of total revenues from industrial gases of P331.47 million, oxygen, acetylene and other gases accounted for 68.72%, 23.00% and 8.29% respectively. Visayas-Mindanao accounted for 59.38% of sales volume and 69.67% of revenue. Luzon, the market with lower margins, accounted for 40.62% of sales volume and 30.33% of revenues.

After netting out the non-recurring sale of a commercial property closed in 2014, real estate sales in 2015 of P82.14 million was a 44.58% improvement over 2014. Revenue recognized from the sale of memorial lots that almost tripled in 2015 accounted for 66.06% of real estate sales. Revenue from hotel operations of P35.26 million in 2015 was lower by 7.56% compared to 2014. Revenue from pharmaceutical products was only taken up in the books in 2015.

REVENUES			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	
	2015	2014	Percent Growth/ (Decline)

Real Estate	82,141,569	627,828,997	-86.92%
Hotel	35,255,568	38,137,735	-7.6%
Interest	0	527,001	-100.0%
Pharmaceuticals	29,823,111	0	100.00%

REVENUES			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2015	2014	Percent Growth/ (Decline)
LPG	5,292,236,919	5,267,989,038	0.5%
Ind'l Gas	331,469,436	391,175,215	-15.3%
Fuel	2,186,388	8,095,220	-73.0%

VOLUME			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2015	2014	Percent Growth/ (Decline)
LPG (in kgs)	146,188,473	113,294,008	29.0%
Industrial Gas (cyl.)	790,295	934,085	-15.4%
Fuel (liters)	78,607	185,129	-57.3%

Price Movement and Market Demand

2015 saw a further round of price falls in the international contract price (CP) of LPG. From an average CP price of $804.53 per MT in 2014, average CP price in 2015 further fell by 46.49% to $430.54 per MT. Since LPG is a derivative of oil, the price of LPG generally followed the downtrend faced by oil prices. The fall in the world and domestic price of LPG encouraged consumers to shift from other fuels to LPG, resulting in a 15% increase in nation-wide demand in 2015 according to the Department of Energy (DOE). PGI outperformed the industry as its own sales volume climbed by 29.03% in 2015.

For industrial gases, the improvement in the quality of sales also resulted in an across-the board decline in average refill price per cylinder for all industrial gas products. Average refill price per cylinder of oxygen tumbled by 20.17% while acetylene and other gases dipped by 0.98% and by 9.55% respectively. This trade-off allowed the company to overcome competitive moves in an industry characterized by many players and stiff competition.

In real estate operations, pricing of memorial lots remained stable. Pricing of other real estate assets sold were negotiated with buyers using the prevailing market prices in the area as a guide.

Competition and Market Share

Prycegas LPG, the main product of the company which accounted for 90.30% of total revenue in 2015, has become a significant player in an industry that used to be dominated by multinational companies. In Visayas and Mindanao, Pryce is one of only four (4) competitors operating in the area who sell under their respective brands. Luzon, on the other hand, is a highly competitive market characterized by a proliferation of many companies – five terminal operators and more than a hundred independent small to medium size refillers who market generic products.

On an aggregate basis, the company has the largest LPG storage capacity in the country to date. The company's infrastructure complement includes eight (8) marine-fed import terminals with an aggregate storage capacity of 18,200 MT (1 in Luzon, 4 in Visayas and 3 in Mindanao) and forty one (41) refilling plants spread nationwide (26 in Luzon, 9 in Visayas and 6 in Mindanao) with storage capacity ranging from 25 MT to 100 MT. The San Fabian(Pangasinan) Terminal's storage capacity of 8,300 MT is the second largest in the country.

DOE statistics showed that the company's market share has significantly advanced from 9.04% in 2014 to 12.10% in 2015. On a regional basis, its market share in 2015 was 20.74% in Visayas, 24.24% in Mindanao and 9.4% in Luzon. The expansion of the company's infrastructure complement through the construction of additional terminal storage capacity and the construction or leasing of additional refilling plants coupled with a sharp focus on expanding the market base, helped in achieving this feat.

The company's sales volume as well as market share is expected to further increase in the near to medium term due to an overall growth in demand and more responsive strategies to bolster sales that will be implemented by management. Luzon, in particular, will be a major source of volume growth as the company strengthens its foothold in the market that accounts for about 80% of total nationwide demand for LPG.

Profitability

All measures of profitability show that 2015 was a banner year for the company as profits continued to hold strong and even exceed expectations. Gross profits of P1.49 billion in 2015 was a significant leap from the P1.07 billion achieved in 2014. While volume turnover of LPG jumped by 29.03%, operating expenses were successfully reduced by 1.20%. Consequently, income from operations jumped by 127.79% from P340.15 million in 2014 to P774.84 million 2015.

Income from operations together with other income earned amounting to P110.90 million provided a cushion that absorbed the recognition of losses from the participation in an oil exploration project aggregating to P113.5 million.

After deducting income tax expense of P128.35 million, net income for 2015 amounting to P589.06 million represents a growth of 98.39% over the prior year's income of P296.92 million. This doubling of net income translates into a doubling of earnings per share to P0.302 on the 2.0 billion in outstanding shares.

Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2015 amounted to P990.71 million.

PROFITABILITY			
PRYCE CORPORATION & Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2015	2014	
Gross Margin (%)			
Real estate	80.29%	31.78%	152.6%
Hotel operations	5.05%	-8.39%	160.2%
Pharmaceuticals	25.41%	0.00%	100.0%
Return on Assets (%)	3.27%	4.52%	-27.7%
Return on Equity (%)	4.51%	6.73%	-33.0%
Net profit margin (%)	63.70%	18.74%	239.9%

PROFITABILITY			
PRYCE GASES, INC. & Oro Oxygen Corp.			
	2015	**2014**	Percent Growth/ (Decline)
Gross Margin (%)			
LPG	24.36%	13.11%	85.8%
Industrial Gas	37.30%	39.41%	-5.4%
Fuel	16.54%	10.98%	50.6%

Return on Assets (%)	14.70%	4.83%	204.3%
Return on Equity (%)	16.80%	9.21%	82.4%

Liquidity

Liquid assets amounting to P712.20 million as of yearend 2015 consisting of cash of P329.99 million and financial assets at fair value (equity securities) of P382.21 million was 19.4% lower than the previous year's balance of P884.07 million. A significant portion of cash generated for the year went toward the funding of the construction of additional infrastructure - an additional storage tank of 2,000 MT at the San Fabian Terminal and the construction of six (6) refilling plants in Luzon, the pre-payment of restructured debts that allowed the company to exit from rehabilitation a year before its original termination date, the investment in oil exploration and the repayment of short-term debts. Except for working capital lines to finance its regular LPG importations, the company has become essentially debt-free after its debt clean-up exercise.

The pre-payment of the balance of restructured debts under the rehabilitation plan and the paydown of other short-term liabilities contributed to the improvement in the company's current ratio from 1.25x in 2014 to 1.88x in 2015. Liquidity ratios have been maintained at very healthy levels as shown on the table below.

LIQUIDITY			
PRYCE CORPORATION & Subsidiary Pryce Pharmaceuticals, Inc. (PPhI)			
	with PPhI	without PPhI	Percent Growth/ (Decline)
	2015	2014	
Current ratio	2.64	1.5	76.0%
Debt to equity ratio	36.24	39.3	-7.8%

LIQUIDITY			
PRYCE GASES, INC. & Subsidiary Oro Oxygen Corp.			
	2015	2014	Percent Growth/ (Decline)
Current ratio	1.72	1.19	44.5%
Debt to equity ratio	0.43	0.90	-52.2%

Balance Sheet Changes

Compared to the December 31, 2014 audited financial statements, the reason for the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	(38.32%)	Due to payment of accounts to suppliers, lenders and other creditors and investment in marketable securities
Financial assets at fair value	9.49%	Additional acquisition of marketable securities

Prepayments and other current assets	(16.65%)	Decrease in deferred charges and input tax
Advances to related parties	(33.25%)	Collection of accounts
Property plant and equipment	15.01%	Acquisition/construction of assets and new plants
Investment properties	197%	Acquisition of land
Assets held for dacion en pago	(100.00%)	Settlement of account
Trade and other payables	(15.59%)	Payments of accounts
Income Tax Payable	235.45%	Increase in net income
Installment contracts payable	5.09%	Acquisition of subdivision lots
Debts for dacion en pago covered by Rehabilitation Plan	(100.00%)	Payment of loans
Restructured debts covered by rehabilitation Plan	(100.00%)	Payment of loans
Short-term debts	(100.00%)	PGI's and OOC's payment of short term loans
Customer's deposits	9.49%	Increase in downpayment for lots/services
Installment contracts payable	(26.82)	Payment of acquired subdivision lots
Restructured debts covered by Rehabilitation Plan	(100.00%)	Full payment of restructured debts
Retirement benefit obligations	9.75%	Additional recognition of benefit obligation for the current year
Advances from related parties	97.96%	Reclassification of debts to this account and unpaid assignment of shares of stocks from MGI to PGI
Deficit	(70.35%)	Net income of 2015
Non-controlling Interest	966.61%	Increase in net income

<u>Status of Rehabilitation Plan</u>

On July 31, 2015, Pryce Corporation received an Order dated July 28, 2015 from the Commercial Court (Regional Trial Court in Makati City, Branch 149). The Order disposed of Pryce Corporation's motion to terminate its corporate rehabilitation proceedings and declared the rehabilitation proceedings of Pryce Corporation as closed and terminated. The status of the Company's rehabilitation plan is discussed in more detail above (in *Item 1 – Business:* under subheading *Corporate Rehabilitation*).

<u>2014 Compared to 2013</u>

Consolidated revenues for the year ended December 31, 2014 aggregated P6.33 billion, which is a growth of 62.16% from the previous year's P3.91 billion. This is broken down by product line, as follows: liquefied petroleum gas (LPG), P5.27 billion (or 83.2% of total); real estate sales, P627.83

million (9.91%); industrial gases, P391.18 million (6.18%); hotel operations, P38.14 million (0.60%); the remainder came from the sales of fuel as well as interest on instalment sales.

LPG, industrial gases and fuels are product lines of the subsidiary, Pryce Gases, Inc. (PGI), while real estate and hotel operations are under the mother company, Pryce Corporation. The figures also include the accounts of PGI's subsidiary, Oro Oxygen Corporation (OOC), which is involved in the same business as PGI's but concentrates its operations in Luzon.

Revenue and Volume Growth

The substantial upturn in total revenue was mainly fueled by LPG sales, under the brand name PryceGas, which rose by 57.0% to P5.27 billion in Peso terms and by 78.2%, from 63,590 metric tons (MT) to 113,924 MT, in volume terms. The lower growth in LPG sales revenue as compared with volume growth stems from the declining trend in LPG price, as explained in another part of this report.

The upsurge in revenue was also driven by real estate sales which reached P627.83 million due to the non-recurring sale of a commercial property in Iligan City to a mall developer. Total sales from real estate operations including hotel sales and interest on installment sales in 2014 amounted to P666.5 million. The bulk of recurring sales emanated from memorial parks, of which the company has twelve (12), of various sizes, in the major cities and urban centers of Mindanao.

Revenues from industrial gases (oxygen, acetylene, other gases) dipped by 5.2% to P391.2 million, largely attributable to price adjustments in the face of stiff competition. Actually, there was an increase in volume as total industrial gas sold in 2014 reached 934,085 cylinders compared to the preceding year's 897,594 cylinders, or an improvement of 4.1%.

The sales performance and revenue growth of each company are presented below:

REVENUES			
PRYCE CORPORATION (PC)			
	2014	**2013**	Percent Growth/ (Decline)
Real Estate	627,828,997	54,323,539	1055.72%
Hotel	38,137,735	40,063,510	-4.8%
Interest	527,001	664,229	-20.7%

REVENUES			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
LPG	5,267,989,038	3,354,851,146	57.0%
Industrial Gas	391,175,215	412,571,823	-5.2%
Fuel	8,095,220	43,272,734	-81.3%

VOLUME			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	**2013**	Percent Growth/ (Decline)
LPG (in kgs)	113,294,008	63,590,080	78.2%
Industrial Gas (cyl.)	934,085	897,549	4.1%
Fuel (liters)	184,278	989,293	-81.4%

Price Movement and Market Demand

The lower growth in sales volume of LPG in comparison with the revenue in Peso terms, as cited above, stems from the declining international contract price (CP) of LPG which gradually fell from US$1,017 per MT in January, to US$835 in June, and to US$564 in December, 2014. The more pronounced drop in CP in the last quarter of 2014 followed the general slide in petroleum prices in the world market during the period.

Industrial gas prices, based on average selling prices of the company to its customers, dropped significantly in response to tightening competition in the industry. Average prices of oxygen per cylinder went down by 3.75%; acetylene, by 8.12%; and other gases, by 16.34% compared to preceding year's figures.

In real estate operations, the company basically maintained the price of its memorial park lot inventories consisting of lawn lots, garden lots, and family estates during the year under review. The company prices its memorial lot inventories at a premium vis-a-vis its competitors given that its memorial parks are generally in choice locations, better developed, and better maintained. During the year, the company started selling rights to double-tier interments on its lawn lots (from one-burial mode) to enhance the competitiveness of this product line.

Competition and Market Share

The company's principal product, PryceGas LPG which accounted for 83.2% of total revenue in 2014, is deemed highly competitive and is poised to grow appreciably in the near to medium term. The company has the biggest LPG storage capacity in the Visayas-Mindanao area with seven (7) marine-fed terminals and nine (9) refilling plants having an aggregate capacity of 10,350 MT. In Luzon, PGI recently completed the construction of a 6,300 MT marine-fed terminal in the coastal area of San Fabian, Pangasinan. It has also acquired, put up, or leased a total of 22 refilling plants in various areas of Luzon, with storage capacities ranging from 25 MT to 120 MT.

PryceGas sales of 113,294 MT in 2014 comprised about 10-11% of the total LPG market nationwide and is expected to expand significantly over time. Of this volume, 57.7% came from Luzon operations and the balance of 42.3% from Visayas-Mindanao operations.

In the industrial gas market, the company has to contend with increasingly tight competition but is able to cope through price adjustments and flexible sourcing strategies.

Profitability

Gross profit of the company (earnings after cost of sales) reached P1.04 billion during the year. Selling and general/administrative expenses aggregated P728.11 million, resulting in net operating income of P314.93 million, which is a growth of 114.75% from the year-before figure. Other income, consisting largely of interment fees, rental income, as well as non-recurring gains on sale of marketable securities and on settlement of debts reached P76.21 million, to yield a pre-tax income of P391.14 million

The company made provision for income tax in the amount of P94.22 million, resulting in a net income after tax of P296.92 million, which is a remarkable improvement of 200.11% from the previous year's P98.94 million. The bottom-line figure could have been higher without the slide in the prices of LPG. With 2.0 billion in outstanding shares, this net income translates to earnings per share of 0.1485.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached P1.01 billion. Apart from the appreciable increase in net income, the EBITDA figure is pushed up significantly by the non-cash costs of sale (representing long-completed development costs of lot inventories sold during the year) as well as depreciation of new LPG facilities.

Measurements of profitability broken down by company are shown below.

PROFITABILITY
PRYCE CORPORATION (PC)

	2014	2013	Percent Growth/ (Decline)
Return on Assets (%)	4.52%	0.48%	841.7%
Return on Equity (%)	6.73%	0.76%	785.5%
Net profit margin (%)	18.34%	3.95%	364.3%

PROFITABILITY			
PRYCE GASES, INC. & Subsidiary (OOC)			
	2014	2013	Percent Growth/ (Decline)
Return on Assets (%)	6.68%	3.01%	121.9%
Return on Equity (%)	12.54%	5.94%	111.1%
Net profit margin (%)	4.70%	3.32%	41.6%

Liquidity

Liquid assets of the company as of December 31, 2014 amounted to P884.07 million, broken down into Cash of P535.0 million and Financial Assets at fair value (marketable securities) of P349.07 million. This is an increase of 157.65% from the year-ago figure of P343.12 million for cash and near-cash assets. The substantial hike in this asset category stems from the upturn in total revenue which climbed to P6.33 billion from the previous year's P3.91 billion.

The capacity of the company to service its maturing debts is measured, among others, by the current ratio which stood at 1.23:1 as of yearend 2014. Its total debt-to-equity ratio, a measure of financial leverage, was at 0.99 to1.

The liquidity and solvency measurements for the mother company and subsidiary are shown below:

LIQUIDITY			
PRYCE CORPORATION (PC)			
	2014	2013	Percent Growth/ (Decline)
Current ratio	1.5	1.27	18.1%
Debt to equity ratio	0.39	0.59	-33.9%

LIQUIDITY
PRYCE GASES, INC. & Subsidiary (OOC)

	2014	2013	Percent Growth/ (Decline)
Current ratio	1.19	1.07	11.2%
Debt to equity ratio	0.90	0.84	7.1%

Balance Sheet Changes

Compared to the December 31, 2013 audited accounts, the significant movements in balance sheet accounts are as shown below.

Account Name	% Increase or (Decrease)	Reason for Change
Cash and cash equivalents	160.04%	Due to the increase in revenue.
Investment held for trading	154.08%	Additional acquisition of marketable securities.
Trade and other receivables	(5.26%)	Improved collection of receivables.
Inventories	(14.09%)	Attributed to the increase in sales volume.
Real estate projects	(36.69%)	Due to the disposal of real estate inventories.
Prepayments and other current assets	52.34%	Increase in prepaid rent, insurance and advances to contractors.
Trade and other receivables	(100%)	Collection of other receivables.
Due from related parties	(89.43%)	Collection of accounts.
Property plant and equipment	5.92%	Acquisition/construction of physical assets and new plants.
Accounts payable and accrued expenses	52.15%	Due to increase in LPG purchases in late December 2014.
Income tax payable	(64.36%)	More EWT certificates available.
Debts for dacion en pago covered by Rehabilitation Plan	(68.03%)	Due to payment of loans.
Short-term debt	35.14%	PGI's additional availment of loans.
Customers' deposits	68.30%	Increase in downpayment for lots/services.
Restructured debts covered by Rehabilitation Plan	(49.82%)	Payment of restructured debts.
Retirement benefit obligations	12.96%	Additional recognition of benefit obligation for the current year.
Due to related parties	9.81%	Reclassification of loans to this account.
Deficit	(28.13%)	Due to net income recorded for 2014.
Non-controlling interest	13.77%	Due to increase in net income.

Status of Rehabilitation Plan

The Supreme Court en banc issued a favorable ruling that upheld the Company's rehabilitation plan, which the commercial court (RTC-Makati) approved in January 2005. The status of the Company's rehabilitation plan is discussed in more detail of *Item 1 – Business:* under subheading *Corporate Rehabilitation* and in *Item 3 - Legal Proceedings of SEC 17-A filed in April 2015*.

Item 7. Financial Statements - Refer to attached Audited Financial Statements of the Accountants

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

Current Accountants

Since 2004, the SEC-accredited accounting firm of **Diaz Murillo Dalupan & Company ("DMD")** has served as the Company's external auditor, having offered the most economical audit proposal package to the Company as evaluated by the Board Audit Committee. In selecting an external auditor, the Board Audit Committee considers the standing and level of proficiency of the auditor/firm in the industry and evaluates if the fees charged are commensurate with such standing, as against the proposals submitted by other comparable firms. Pursuant to SRC Rule 68, Ms. Rosemary D. de Mesa was the signing partner for 2009, Atty. Bethuel V. Tanupan has served as the signing partner for 2010 and 2011, then Ms. Rosemary D. de Mesa again for 2012. Mr. Jozel Francisco C. Santos was signing partner for 2013, 2014, 2015, as well as for 2016.

Following are the fees (which exclude VAT) paid to DMD for 2016 and the preceding years:

Year	External Audit Fee [1]	Tax Fees [2]	Other Fees [3]	Aggregate Fees
2012	P 540,000.00	---	---	P 540,000.00
2013	P 550,000.00	---	---	P 550,000.00
2014	P 560,714.00	---	--	P 560,714.00
2015	P 571,929.00	---	---	P 571,929.00
2016	P 600,000.00	---	---	P 600,000.00

Resignation of Principal Accountant

There has been no resignation or dismissal of principal accountant nor the engagement of a new principal accountant during the Company's last two fiscal years.

Disagreements with Accountants

The Company and DMD have had no disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

1 In general, services include the examination of evidence supporting the amounts and disclosures in the financial statements for the respective years ending December 31 and assessing the accounting principles and significant estimates of management and evaluating the overall financial statement presentation, with a view to the expression of the auditor's opinion on the fairness of the presentation of the financial statements in conformity with Philippine Financial Reporting Standards in all material respects. Audit fees above do not yet include the 12% VAT.

2 No engagement.

3 No engagement.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executives Officers of the Registrant

The following sets forth certain information concerning the executive officers and directors of the Company as of December 31, 2016:

Name	Age	Position with the Company
BOARD OF DIRECTORS		
Salvador P. Escano*	65	Chairman
Efren A. Palma	51	President
Ramon R. Torralba	72	Director & Chief Legal Counsel
Xerxes Emmanuel F. Escaño	26	Director
Ray W. Jovanovich	75	Director
Enerlito G. De Mesa (deceased)	71	Independent Director
Roland Joey R. de Lara	63	Independent Director
EXECUTIVE OFFICERS		
Pryce Corporation(Parent Company)		
Salvador P. Escano*	65	Chief Executive Officer
Efren A. Palma	51	President
Ramon R. Torralba	72	Chief Legal Counsel
Benjamin P. Escaño*	64	EVP – Regional Head Northern Mindanao
Simeon S. Umandal	75	FVP-Corporate Secretary
Sonito N. Mole	59	Regional Head – Southern Mindanao Opns.
Samuel H. Cinco	57	FVP – Sales & Landbanking Head, Northern Mindanao Opns.
Jose Ma. C. Ordenes	58	Treasurer; SVP – Operations Monitoring & Alternate Information & Compliance Officer
Feliciano B. Hatud	59	VP – Finance; Assistant Corporate Secretary
Erica P. Encabo	37	Corporate Information & Compliance Officer
Pryce Gases, Inc. (Subsidiary)		
Salvador P. Escano*	65	Chairman
Rafael P. Escano*	57	President
Efren A. Palma	51	Senior EVP- Chief Finance Officer
Jose Ma. L. Escano*	53	SEVP/REO Southern Mindanao Opns-1
Gabriel I. Macion	53	EVP-Technical Services Dept.
Simeon S. Umandal	75	Corporate Secretary
Alexis M. Sulatre	54	SEVP/REO Central Visayas Opns
Ethelbert Deguit	39	SVP/REO Eastern Visayas Opns
Franz Jonas L. Villegas	46	VP/REO Northern Mindanao Opns
Joedim L. Magallano	52	VP/REO Negros Island Opns
Christy Ann Fuentes-Paasa	33	VP/REO Panay Island Opns
Jeremy Riel E. Sumillano	27	AVP/REO Southern Mindanao Opns-2
Roque C. Competente	36	AVP/REO Western Mindanao Opns

*Messrs. Salvador P. Escaño, Benjamin P. Escaño, and Rafael P. Escaño are brothers; Jose Ma. L. Escaño is a cousin to the brothers. Xerxes Emmanuel F. Escaño is a son to Salvador P. Escaño.

Salvador P. Escaño is concurrently Chairman of Pryce Development Corporation and Pryce Gases, Inc. Mr. Escano also served as Director of Basic Petroleum & Minerals, Inc. until 1989. He was previously General Manager of Anselmo Trinidad and Co., (HK) Ltd., a Hongkong-based stockbrokerage firm from 1978 to 1981 and a member of the Board of Governors of the Makati Stock Exchange from 1989 to 1991. Mr. Escano is also currently a director of Crown Equities, Inc., another listed company. He holds a Masters degree in Business Administration from the University of the Philippines.

Ramon R. Torralba previously served as president of Tower Securities, Inc., a stockbrokerage firm from 1989 to 1992. Atty. Torralba is a law graduate from Ateneo de Manila University and a member of the Integrated Bar of the Philippines.

Mr. Ray W. Jovanovich began his investment career in 1988 in Hong Kong and spent 25 years managing portfolios on behalf of global institutions. A pioneer in Asia's emerging markets, he developed the world's first investment funds for Thailand, Indonesia, the Philippines, and India in the late 1980s. In the final decade of his career, Mr. Jovanovich served as Chief Investment Officer—Asia for Amundi. He retired at the end of 2011 in order to focus on educational initiatives and philanthropy, and now lectures on a variety of Asian topics at universities in both America and Asia. He also continues to do project work for the International Monetary Fund on China-related issues.

Efren A. Palma is a Certified Public Accountant. He joined SGV & Co. in 1986, after which he worked for the Alcantara Group of Companies in 1989 as senior internal auditor. He was later promoted as Finance Manager for one of the construction companies of the Alcantaras in Iligan City before joining Pryce Gases, Inc. in 1996. He holds a Bachelor's Degree in Commerce from Immaculate Concepcion College in Ozamis City.

Xerxes Emmanuel F. Escaño has been Managing Director of Pryce Pharmaceuticals, Inc. since January 1, 2015. Prior to this, he was connected with Teach for the Philippines before becoming Procurement Manager for Procter & Gamble. In the latter capacity, his functions included overseeing the entire end-to-end procurement process for all marketing, sales, research and administrative orders for the company's regional headquarters in Singapore and Malaysia. He holds a Bachelor's Degree in Management from the Ateneo de Manila University.

Enerlito G. de Mesa (deceased) has over thirty years of experience in business and management gained both in the Philippines and in the United States. While in the United States, he was employed in managerial and managerial support positions with companies providing management services and legal solutions. He holds a Bachelor's Degree in Commerce from the Polytechnic University of the Philippines. Mr. De Mesa passed away on January 11, 2017. The Board has yet to appoint a replacement for Mr. de Mesa.

Roland Joey R. de Lara is the Chairman of Philharbor Ferries & Port Services Inc. He also works as the Chief Operating Officer of Penta Marine Corporation and is a Managing Director in Honor Merit Philippines, Inc. In previous capacities, he became the Operations Manager of Threshhold Pacific Shipping Co. and Maritime Shipping Co. He finished his Bachelor's degree in Business Administration in Xavier University in Cagayan de Oro City.

Simeon S. Umandal has been connected with the Pryce Group since 1981. He is currently the First Vice President for Administration and Assistant Corporate Secretary of Pryce Development Corporation. He is also the First Vice President for Corporate Services and Corporate Secretary of Pryce Gases, Inc. He holds a Bachelor's degree in Business Administration from the University of the East.

Benjamin P. Escaño holds a master's degree in Business Management from the Asian Institute of Management and a Bachelor's degree in Agriculture from the Xavier University in Cagayan de Oro. His work experience includes 17 years with Dole Philippines, Inc. in the fields of agriculture and financial analysis.

Sonito N. Mole joined the Pryce Group thru PGI in 1987 as an area sales manager; he later moved to Pryce Corp. (then Pryce Properties Corp.) in 1990 as operations head for the company's southern

Mindanao operations. He is a graduate of the University of Visayas with a Bachelor's Degree in Marine Transportation.

Samuel H. Cinco began work in PGI in 1988 as a salesman and later promoted as Area Manager of the company's Cagayan de Oro sales center. In 1990, he was assigned to PGI's Special Project Landbanking Division and later moved to then Pryce Properties Corp. (now Pryce Corporation) and at present is heads the company's Landbanking & Sales for Pryce Corp.'s Northern Mindanao Operations. He has a Bachelor's degree in Business Administration obtained at Xavier University, Cagayan de Oro City. He is a licensed real estate broker.

Jose Ma. C. Ordenes has been with the Company since 1993. He holds a Bachelor's degree in Mechanical Engineering from the University of Santo Tomas. Before joining the Pryce Group, he worked at Batangas Bay Carries, Inc. (a subsidiary of Pilipinas Shell Petroleum Corp.), which then provided the domestic marine transport services of Pilipinas Shell. Previous to this his work experience included teaching math and engineering subjects.

Feliciano B. Hatud is a graduate of Southwestern University, Cebu with a bachelor's degree in Commerce major in Accounting. He joined Pryce Securities Inc. (PSI) in 1987 as a Stock Trader who was in charge in the buy and sell of stocks. He was with PSI for fourteen (14) years. In December 2001, he transferred to Pryce Gases, Inc. (PGI) as Assistant Vice President for Purchasing. At present, he is the Vice President for Purchasing/Finance, PGI and PC.

Erica P. Encabo joined the Pryce Group in 2006 as legal officer of PGI. She presently serves as corporate secretary for other companies within and outside the Group. She holds a Bachelor's Degree in Philosophy from the Ateneo de Manila University and a Bachelor of Laws Degree from the University of the Philippines. She is a member of the Integrated Bar of the Philippines.

Rafael P. Escaño has thirty (30) years of experience in industrial gas manufacturing and marketing, having previously occupied various positions including that of General Manager in Central Luzon Oxygen & Acetylene Company. He obtained his degree in Economics from the Xavier University in Cagayan de Oro City.

Jose Ma. L. Escaño began work in the Pryce Group thru PGI in 1987 as a Plant Supervisor and later moved to challenging positions in sales and marketing. He is a graduate of the University of Cebu with a Bachelor's Degree in Marine Transportation.

Alexis M. Sulatre began work as an accounting clerk in the company of CLOACO, Inc., the precursor company of Pryce Gases Inc. (PGI). At PGI, he became the head of a PGI sales center from 1989 to 1993. He continually moved up through the ranks, successively assuming positions as Area Sales Supervisor, Area Manager in the Central Visayas Operations (CVO), Regional Manager for CVO, until he became the current Senior Vice President/Regional Executive Officer for CVO. Mr. Sulatre holds a bachelor's degree in commerce major in accounting from the University of the Visayas in Cebu City.

Gabriel I. Macion joined PGI in 1989 as a Plant Operator and later in 2001 was promoted as AVP-Head of the Technical Services Department. He was again promoted as VP-Corporate Assistant Admin Head in 2004 and in 2005 he became the VP-Corporate Administration Head. Mr. Macion is a licensed chemical engineer and graduated magna cum laude from the Divine Word University with a degree of Bachelor of Science in Chemical Engineering.

Ethelbert Deguit joined PGI in 2010 as Finance and Accounting Head in Panay Island Operations. In 2011, he became the regional executive officer of the Eastern Visayas Operations. Prior to PGI, Mr. Deguit was a banker for 12 years and a part time accounting instructor for 7 years. He is a graduate of Xavier University attaining a bachelor's degree in Accountancy. He also holds a law degree from the same university.

Franz Jonas L. Villegas has a degree in Bachelor of Science in Commerce major in Accounting obtained at the University of San Carlos, Cebu City. He was previously a branch manager of BPI in Pagadian City and PSBank in Ozamiz City. He began in PGI as a management trainee in 2012 and later became the Sales Supervisor of Panay Island Operations. He was subsequently transferred to Northern Mindanao Operations and became the regional executive officer thereof.

Joedim L. Magallano came to PGI in 1999 as Assistant Manager for Human Resource Management at the company's corporate office in Cagayan de Oro City. He was promoted as Manager and later as AVP for Administrative Services Department. In 2007 he was transferred to Negros Island Operations and later became its regional executive officer in 2015. He obtained his Bachelor's degree in Philosophy at Saint Joseph Seminary College in Dumaguete City.

Christy Ann Fuentes-Paasa graduated from Xavier University with a Bachelor's degree in Elementary Education. She earned units for her MA in Guidance and Counseling. Before joining PGI, Ms. Paasa was an Area Manager in Kwartagram Corp.- a money remittance services company. Thereafter she joined PGI in 2011 as regional executive officer of Panay Island Operations.

Jeremy Riel E. Sumillano started working in PGI in 2011 as a management trainee and was trained in various key positions of a company's regional operation. He later became OIC-Head of PGI's sales center in General Santos City for two years. In January 2016, Southern Mindanao Operations (SMO) was carved into two regions, creating SMO-2 to which he was assigned / promoted to become its regional executive officer. Mr. Sumillano is a licensed / registered nurse and graduated from Cagayan de Oro College–Phinma in 2010.

Roque C. Competente joined PGI in 2002 as an accounting staff and continually moved up through the ranks until he was moved to PGI's Northern Mindanao Operations (NMO) to be its acting sales & marketing manager in year 2014. He eventually became regional executive officer for Western Mindanao Operations, which is based in Aurora, Zamboanga del Sur. Mr. Competente has a Bachelor's Degree in Commerce Major in Entrepreneurial Management from the Asian Development Foundation College in Tacloban City, Leyte.

Currently all directors hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

Item 10. Executive Compensation

Following is the information as to the aggregate compensation paid to or estimated to be paid to the Company's Chief Executive Officer (CEO), and its four most highly compensated officers, and to all officers and directors as a group unnamed, during the last two fiscal years and in the ensuing fiscal year:

Name and principal position	Year	Salary (Pesos) ('000)	Bonus and / or other annual compensation (Pesos) ('000)	Total
Salvador P. Escaño CEO & Chairman				
Efren A. Palma President				
Benjamin P. Escano EVP – NMO				
Jose Ma. C. Ordenes SVP - Treasurer				
Samuel H. Cinco FVP – Sales & Landbanking				
Aggregate compensation of above named officers	2015	4,550	120	4,670
	2016 (a)	4,749	214	5,073
	2017 (est.)	4,749	214	5,073

All other officers, directors, and certain managers as a group, unnamed	2015	5,940	338	6,278
	2016 (b)	5,033	274	5,307
	2017 (c) estimated	4,503	250	4,753

(a) Management granted a salary adjustment. (b) Decrease due to retirement of certain junior officers and hotel managers; (c) Decrease due to further retirement of certain managers after closure of hotel operations in Dec. 2016.

The Directors receive a per diem allowance of twenty thousand pesos (P20,000) for their attendance in Board Meetings. Aside from this, there is no regular compensation for directors of the Company. In addition, there is no Employment Contract, Termination of Employment and Change-in-Control Arrangement between the Company and any of its executive officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners (as of December 31, 2016)

Based on the records of the Company's Stock Transfer Agent, BDO Unibank, Inc. (Trust Banking Group), the Company knows of no other person who is directly or indirectly the record and/or beneficial owner of more than 5% of the Company's voting securities as of December 31, 2016, except as set forth hereafter:

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner[4]	Citizenship	No. of Shares Held	Percent to Total of Class
Common	Guild Securities, Inc.	Various[5]	Filipino	1,017,140,468	50.86%
	PCD Nominee Corporation	Various	Filipino	578,808,520	28.94%
		Josefina Multi-Ventures Corp. is the beneficial owner[6]	Filipino	108,614,512	5.43%
	Hinundayan Holdings Corporation (affiliate of the Issuer)	Hinundayan Holdings Corporation is also the beneficial owner[7]	Filipino	160,708,000	8.04%

4 The Company knows of no right of any owner, director, or officer herein named to acquire beneficial ownership of any number of shares within thirty (30) days from the date of this statement or thereafter.

5 Guild Securities, Inc. is a stock brokerage firm and a trading participant in the Philippine Central Depository (PCD), holding shares for the account of its various clients.

6 The Board of Directors of Josefina Multi-Ventures Corp. (JMVC) has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of JMVC Corporation. JMVC is located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City, of which Mr. Salvador P. Escaño owns 99% of the total outstanding capital stock of the Corporation

7 The Board of Directors of Hinundayan Holdings Corporation (HHC) has the power to decide how its shares will be voted and has authorized Mr. Salvador P. Escaño to vote the shares of HHC. HHC is located at 17/F, Pryce Center, 1179 Chino Roces Ave., Makati City, of which Pryce Gases, Inc. holds 77%

Note:
- *Guild Securities, Inc., a stock brokerage firm with business address at Unit 1215, 12th flr. Tower & Exchange Plaza, Ayala Avenue, Makati City, holds shares for the account of various clients, including Pryce's. Mr. Antonio B. Alvarez, the firm's president, holds the majority ownership of the firm.*

Security Ownership of Management (as of December 31, 2016)

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (see footnote 2)		Citizenship	Percent to Total of Class
		Direct	Indirect		
Common	Salvador P. Escaño	33,492,660	26,513,250[8]	Filipino	3.0%
	Ramon R. Torralba, Jr.	218,806	0	Filipino	0.0109%
	Efren A. Palma	100	0	Filipino	0.0000%
	Xerxes Emanuel F. Escaño	0	0[8]	Filipino	0.0000%
	Ray W. Jovanovich		1,000	American	0.0000%
	Roland Joey R. de Lara	100	0	Filipino	0.0000%
	Enerlito G. de Mesa	50	0	Filipino	0.0000%
	Benjamin P. Escaño	75,421	0	Filipino	0.0038%
	Jose Ma. C. Ordenes	1,449	0	Filipino	0.0001%
	Sonito N. Mole	0	0	Filipino	0%
	Samuel H. Cinco	0	0	Filipino	0%
	Feliciano B. Hatud	0	0	Filipino	0%
	Erica P. Encabo	0	36,000	Filipino	0.0018%

The following table furthermore shows direct/record ownership of its directors in the Company, with beneficial ownership, including without limitation, the power to vote the shares and to dispose of the same, being retained by the beneficial owner corporations through their respective Boards:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Amount and Nature of Record Ownership	Citizenship	Percent to Total of Class
Common	Salvador P. Escaño	Pryce Development Corporation	1,684,450	Filipino	0.084%
	Ramon R. Torralba, Jr.	Pryce Development Corporation	90,000	Filipino	0.005%

Item 12: Certain Relationships and Related Transactions

The Company is not aware of any transaction, not in the ordinary course of business during the period under review, with the Company or its subsidiary in which a director, executive officer, or stockholder, owning 10% or more of total outstanding shares of the Company and members of their immediate family had or is to have a direct or indirect material interest. Likewise, the Company knows of no parties that fall outside the definition of "related parties" but with whom the registrant or its

of the total outstanding capital stock of the Corporation.

8 Indirect shares are in a joint account with his father Mr. Salvador P. Escaño.

related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties at an arm's length basis. Transactions with other parties, which fall outside the definition of ‘related parties’ under IAS 24, are entered into on an arm's length basis. Additional disclosures concerning related party/ies are incorporated by way of reference to Note no. 22 under the heading *Related Parties* in the Notes to the audited Financial Statements of the Accountants.

PART IV EXHIBITS AND SCHEDULES

Item 13. Compliance with Corporate Governance

The Company has a Manual of Corporate Governance (the “Manual”) to institutionalize sound corporate governance practices, enhance investor protection, and increase accountability. The Company has a Compliance Officer (as the Manual requires) who has direct reporting responsibilities to the Chairman of the Board of Directors and monitors compliance with corporate governance matters. The Manual was revised / updated in March 2011 and July 2014 pursuant to SEC circulars. The Company nevertheless continuously reviews and evaluates its corporate governance policies to ensure the observance of sound governance practices.

Please refer to the attached 2016 Annual Corporate Governance Report (ACGR).

Item 14. Exhibits and Report(s) on SEC Form 17-C

Except for the Audited Financial Statements, the Company finds no other exhibit(s) that needs to be filed following a review of the required exhibits for SEC 17-A under the Exhibit Table in Part VII of Annex C, as amended.

Reports under SEC Form 17-C were filed with the SEC during 2016.

The Company filed reports with the following dates under SEC Form 17-C within the calendar year ending December 31, 2016:

Date of Report	Subject of the Disclosure
Dec 21, 2016	Notice of a special stockholders’ meeting on February 2, 2017 to secure the approval of the stockholders to the increase in the capital stock of the Corporation by Php 98,000,000.00 and the placing and subscription transaction whereby Josefina Multi-Ventures Corporation (“Josefina”) sold 24,500,000 shares at Php 5.00 per share through the PSE.
Dec 21, 2016	Revocation of the previous approval of the amendment to the seventh article of the Articles of Incorporation and issuance and approval of new resolution amending the same seventh article of the Articles of Incorporation to increase the authorized capital instead by Php 98,000,000.00.
Nov 25, 2016	Approval of the Amendment to the seventh article of the Articles of Incorporation to increase the authorized capital stock of the Corporation to Php 2,240,000,000 divided into 2,240,000,000 shares (with par value of Php 1.00 per share) in anticipation of placing and subscription transactions, and the approval of the authority of the President to execute documents pursuant to and in accordance with placing and subscription transactions.

Nov 11, 2016	Board Approval: (i) of Dividend Policy and (ii) for Mr. Salvador P. Escaño to continue as Chief Executive Officer of the Company
Jun 23, 2016	Results of the Organizational Meeting of the Board of Directors held on June 23, 2016
June 23, 2016	Stockholders' Approval of Authority Granted to Specific Officers of the Company on the Sale of the Memorial Parks
Jun 23, 2016	Results of the Annual Stockholders' Meeting of Pryce Corporation held on June 23, 2016
May 18, 2016	Board Approval of Authority Granted to Specific Officers of the Company on the Sale of the Memorial Parks
Apr 18, 2016	The Company Board's approval of the Audited Financial Statements (Consolidated) of the Company and its Subsidiaries for the year 2015.
March 11, 2016	Postponement of the Annual Stockholders' Meeting of the Company

* * * * *

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SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April ~~__, 2017~~ APR 20 2017

PRYCE CORPORATION
By:

SALVADOR P. ESCAÑO
Chairman & CEO

EFREN A. PALMA
President

SIMEON S. UMANDAL
Corporate Secretary

JOSE MA. C. ORDENES
Treasurer

SUBSCRIBED AND SWORN to before me this APR 20 2017 day of April 2017 affiants exhibiting to me their driver's licenses, as follows:

Name	Driver's License No.	To expire on :
Salvador P. Escaño	C10-75-021861	11.14.18
Efren A. Palma	M02-92-019608	06.20.19
Jose Ma. C. Ordenes	N26-08--001284	09.16.19
Simeon S. Umandal	NO3-88-07-0094	02.18.18

Doc. No. 133
Page No. 27
Book No. 1
Series of 2017

ATTY. NENITA C. CHUA
NOTARY PUBLIC - MAKATI CITY
COMM. NO. M-218 / UNTIL 31 DEC 2017
1179 DON CHINO ROCES AVE., MAKATI
PTR NO. 5909243 / 01/03/17 / MAKATI CITY
IBP NO. LRN-014153 / 6 Jan 2016 / MANILA II
MCLE NO. V-19689 / 15 April 2016
ROLL NO. 44937

Pryce Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2016 and 2015 and
for Each of the Three Years in the
Period Ended December 31, 2016

and

Independent Auditors' Report

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

SALVADOR P. ESCAÑO
Chairman

EFREN A. PALMA
President

JOSE MA. C. ORDENES
Treasurer

Signed this 11th day of April 2017

REPUBLIC OF THE PHLIPPINES)
Makati City) S.S.

ACKNOWLEDGMENT

BEFORE ME, this 11 April 2017 personally appeared:

	CEI
SALVADOR P. ESCANO	C10-75-021861 until 11.14.18
EFREN A. PALMA	M02-92-019608 until 06.20.18
JOSE MA. C. ORDENES	N26-08-001284 until 09.16.19

Personally known to me or identified by me through competent evidence of identity to be the same person who executed the foregoing Deed of Assignment, consisting of two (2) pages, including the page on which this Acknowledgement is written, and who acknowledged to me that the same is their free and voluntary act and deed.

WITNESS my hand and seal on the date and the place first above-stated.

Doc.No. 76
Page No. 19
Book No. 182
Series of 2017.

ATTY. HOBERT N. [illegible]
NOTARY PUBLIC
Until December 31 2017
Appt No M-20 Makati City
IBP #1052367 for 2017 Nov 22, 2016-RSM
PTR #5909501 Jan. 03, 2017-Makati
S.C. Roll No. 59597
MCLE Compliance No. V-0015439 9 March 2016
Unit 301 3rd Flr Campos Rueda Bldg.
101 Urban Avenue, Brgy Pio del Pilar
Makati City

Independent Auditors' Report

To the Board of Directors and Stockholders of
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center, 1179 Don Chino Roces Avenue
cor. Bagtikan Street, Makati City

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of real estate properties transferred by the Parent Company in exchange of the shares of stock of a Subsidiary

Pryce Corporation (PC) transferred real estate properties to Pryce Gases, Inc. (PGI), its subsidiary, in exchange for PGI's capital stock as capital contribution. The Parent Company and subsidiary are under rehabilitation at the time of transfer and the basis for the valuation of the real estate properties transferred was based on the decision of the Regional Trial Court. PC recognized the real estate properties transferred to PGI at cost instead of fair value of the asset given up. This result to the recognition of "Fair value gain on real estate properties" presented under Equity section of the consolidated financial statements.

Audit response:

We validated the valuation of the real estate properties through inspection of the contract to sell and published market prices of the real estate properties and compared it against the Regional Trial Court valuation.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements

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

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

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

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

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

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

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

By:

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

April 11, 2017

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Financial Position

		As at December 31		
		2016		2015
ASSETS				
Current assets				
Cash - note 6	₱	**628,063,041**	₱	329,990,764
Financial assets at fair value through profit or loss (FVPL) - note 7		**429,594,914**		382,205,805
Trade and other receivables (net) - note 8		**335,136,056**		362,983,279
Inventories - note 9		**610,382,212**		536,585,725
Real estate projects - note 10		**822,603,805**		852,717,790
Prepayments and other current assets - note 11		**76,342,675**		60,036,884
		2,902,122,703		2,524,520,247
Noncurrent assets				
Advances to related parties (net) - note 22		**29,287**		1,639,463
Property, plant and equipment (net) - notes 12 and 13		**5,453,468,840**		2,701,465,152
Investment properties - note 14		**109,957,888**		109,957,888
Deferred tax assets - note 31		**67,755,351**		16,539,701
Goodwill - note 15		**70,668,305**		70,668,305
		5,701,879,671		2,900,270,509
TOTAL ASSETS	₱	**8,604,002,374**	₱	5,424,790,756
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables - note 16	₱	**469,728,171**	₱	1,143,680,724
Income tax payable		**86,999,021**		29,620,693
Customers' deposits - note 17		**180,679,468**		154,981,477
Installment contracts payable - note 18		**-**		49,342,686
Short-term debts - note 19		**575,000,000**		-
		1,312,406,660		1,377,625,580
Noncurrent liabilities				
Retirement benefit obligation - note 29		**225,851,172**		208,940,564
Advances from related parties - note 22		**60,470,817**		345,199,821
Deposit for future stock subscription - note 20		**122,500,000**		-
Deferred tax liabilities - note 31		**789,795,544**		68,350,708
		1,198,617,533		622,491,093
TOTAL LIABILITIES	₱	**2,511,024,193**	₱	2,000,116,673

(Forward)

	As at December 31	
	2016	2015
Equity		
Equity attributable to equity holders of the Parent Company		
Capital stock - note 21	**₱ 2,000,000,000**	₱ 2,000,000,000
Additional paid-in capital	**271,834,820**	271,834,820
Retained earnings (deficit)	**668,034,738**	(228,400,903)
Fair value gain on real estate properties - note 33	**1,030,726,843**	1,030,726,843
Other comprehensive income - note 28	**1,791,451,302**	107,964,820
Treasury stock	**-**	(10,352,879)
	5,762,047,703	3,171,772,701
Non-controlling interest	**330,930,478**	252,901,382
TOTAL EQUITY	**6,092,978,181**	3,424,674,083
TOTAL LIABILITIES AND EQUITY	**₱ 8,604,002,374**	₱ 5,424,790,756

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
	2016	2015	2014
REVENUES - note 23			
Liquefied petroleum gases, industrial gases and fuels	**₱ 6,516,302,298**	₱ 5,625,892,743	₱ 5,667,259,474
Real estate	**133,566,654**	82,141,569	627,828,997
Hotel operations	**37,078,534**	35,255,568	38,137,735
Pharmaceutical products	**35,212,974**	29,823,111	-
	6,722,160,460	5,773,112,991	6,333,226,206
COST OF SALES - note 24			
Liquefied petroleum and industrial gases and fuels	**4,899,947,898**	4,207,695,344	4,796,104,714
Real estate	**45,368,635**	16,193,785	428,274,867
Hotel operations	**38,498,003**	33,476,174	41,341,300
Pharmaceutical products	**24,506,724**	22,246,370	-
	5,008,321,260	4,279,611,673	5,265,720,881
GROSS PROFIT	**1,713,839,200**	1,493,501,318	1,067,505,325
OPERATING EXPENSES - note 25			
Selling expenses	**348,619,544**	331,645,286	319,711,309
General and administrative expenses	**412,860,692**	387,013,450	407,644,848
	761,480,236	718,658,736	727,356,157
INCOME FROM OPERATIONS	**952,358,964**	774,842,582	340,149,168
OTHER INCOME (CHARGES)			
Finance cost - note 26	**(29,539,476)**	(21,071,191)	(42,255,897)
Fair value gain (loss) - note 7	**60,220,249**	(33,742,885)	45,628,766
Loss from petroleum exploration - note 30	-	(113,513,796)	-
Other income (net) - note 27	**134,715,540**	110,896,779	47,614,958
	165,396,313	(57,431,093)	50,987,827
INCOME BEFORE INCOME TAX	**1,117,755,277**	717,411,489	391,136,995
INCOME TAX EXPENSE - note 31	**(151,663,971)**	(128,350,847)	(94,221,987)
NET INCOME FOR THE YEAR	**₱ 966,091,306**	₱ 589,060,642	₱ 296,915,008
OTHER COMPREHENSIVE INCOME			
Not subject to reclassification adjustment:			
Remeasurement loss on retirement benefit obligation (net of tax) - note 29	**(12,680,190)**	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**₱ 953,411,116**	₱ 589,060,642	₱ 296,915,008
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱ 875,382,020**	₱ 543,073,847	₱ 294,045,415
Non-controlling interests	**78,029,096**	45,986,795	2,869,593
	₱ 953,411,116	₱ 589,060,642	₱ 296,915,008
EARNINGS PER SHARE - note 32	**₱ 0.477**	₱ 0.302	₱ 0.148

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity

	For the Years Ended December 31		
	2016	2015	2014
CAPITAL STOCK - note 21	**₱ 2,000,000,000**	₱ 2,000,000,000	₱ 2,000,000,000
ADDITIONAL PAID-IN CAPITAL	**271,834,820**	271,834,820	271,834,820
FAIR VALUE GAIN ON			
REAL ESTATE PROPERTIES - note 33	**1,030,726,843**	1,030,726,843	1,030,726,843
OTHER COMPREHENSIVE INCOME - note 28	**1,791,451,302**	107,964,820	111,955,178
RETAINED EARNINGS (DEFICIT)			
At beginning of year	**(228,400,903)**	(770,290,188)	(1,071,789,521)
Net income for the year	**966,091,306**	589,060,642	296,915,008
Transfer of revaluation reserve deducted from operations			
through additional depreciation charges	**8,373,431**	5,700,511	7,453,918
Reversal of non-controlling interest share on net income in			
prior years due to PGI's increase in equity interest in OOC	**-**	(6,885,073)	-
Non-controlling interest share in net income for the year	**(78,029,096)**	(45,986,795)	(2,869,593)
At end of year	**668,034,738**	(228,400,903)	(770,290,188)
TREASURY STOCK	**-**	(10,352,879)	-
	5,762,047,703	3,171,772,701	2,644,226,653
NON-CONTROLLING INTEREST			
At beginning of year	**252,901,382**	23,710,873	20,841,280
Non-controlling interest share due to dilution of Parent			
Company's equity ownership in PGI from 98.23%			
in 2014 to 91.04% in 2015	**-**	206,914,587	-
Non-controlling interest share in net income for the year	**78,029,096**	45,986,795	2,869,593
Non-controlling interest share due to PGI's increase in equity			
interest in OOC from 74.13% in 2014 to 89.73 in 2015	**-**	(23,710,873)	-
At end of year	**330,930,478**	252,901,382	23,710,873
TOTAL EQUITY	**₱ 6,092,978,181**	₱ 3,424,674,083	₱ 2,667,937,526

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

PRYCE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 1,117,755,277**	₱ 717,411,489	₱ 391,136,995
Adjustments for :			
Depreciation - notes 24 and 25	**280,754,118**	250,908,859	238,735,297
Retirement benefit expense - note 29	**31,972,261**	25,773,753	23,480,459
Finance costs - note 26	**29,539,476**	21,071,191	42,255,897
Unrealized loss (gain) on financial assets at FVPL - note 7	**(60,220,249)**	33,742,885	(45,628,766)
Gain on sale of financial assets at FVPL - note 27	**(54,602,762)**	(12,680,058)	(11,819,511)
Dividend income - note 27	**(4,935,965)**	(4,809,722)	(5,380,814)
Interest income - note 27	**(975,134)**	(1,453,736)	(792,436)
Unrealized foreign exchange gain - note 27	**(354,955)**	(8,434,099)	(70,740)
Loss on petroleum exploration - note 30	**-**	113,513,796	-
Gain on sale of property, plant and equipment - note 27	**-**	(7,944)	-
Provision for impairment losses - note 25	**-**	-	8,049,814
Operating income before working capital changes	**1,338,932,067**	1,135,036,414	639,966,195
Decrease (increase) in assets:			
Trade and other receivables (net)	**27,847,223**	(1,674,242)	(11,406,239)
Inventories	**(73,796,487)**	10,379,731	89,102,536
Prepayments and other current assets	**(16,305,791)**	11,169,014	(57,751,689)
Real estate projects	**30,113,985**	(11,186,767)	471,437,264
Increase (decrease) in liabilities:			
Trade and other payables	**(674,216,252)**	(232,354,882)	274,226,290
Customers' deposits	**25,697,991**	13,436,479	85,279,781
Net cash from operations	**658,272,736**	924,805,747	1,490,854,138
Interest received	**975,134**	1,453,736	792,436
Income taxes paid	**(145,550,665)**	(108,623,390)	(67,434,623)
Retirement benefits paid - note 29	**(33,176,211)**	(7,214,908)	(1,639,754)
Net cash from operating activities	**480,520,994**	810,421,185	1,422,572,197
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment - notes 12 and 13	**(624,922,524)**	(604,648,941)	(285,195,872)
Additions to financial assets at FVPL - note 7	**(36,738,434)**	(149,053,027)	(203,837,179)
Investment in petroleum exploration	**-**	(113,513,796)	-
Proceed from sale of financial assets at FVPL	**114,525,215**	94,856,195	49,601,899
Proceeds from sale of property, plant and equipment	**23,633,396**	2,311,278	-
Dividend received	**4,935,965**	4,809,722	5,380,814
Collection of advances to related parties	**1,610,176**	816,617	21,411,200
Collection of refundable deposits	**-**	-	2,148,808
Additions to investment properties - note 14	**-**	-	(37,027,141)
Net cash used in investing activities	**(516,956,206)**	(764,421,952)	(447,517,471)

(Forward)

	For the Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of short-term debts	**600,000,000**	220,000,000	340,000,000
Proceeds from deposit for future subscription	**122,500,000**	-	-
Payment of restructured debts covered by the rehabilitation plan	**-**	(118,690,186)	(59,128,812)
Settlement of advances from related parties	**(284,729,004)**	(38,663,997)	(13,567,501)
Payment of installment contracts payable	**(49,342,686)**	(12,592,068)	(19,727,574)
Finance costs paid	**(29,539,476)**	(21,071,191)	(41,944,439)
Payment of short-term debts	**(25,000,000)**	(470,000,000)	(275,000,000)
Payment of debts for dacion en pago covered by the rehabilitation plan	**-**	(6,877,226)	(576,924,690)
Acquisition of treasury stock	**-**	(10,352,879)	-
Proceeds from issuance of capital stock	**-**	206,500,000	-
Net cash generated from (used in) financing activities	**333,888,834**	(251,747,547)	(646,293,016)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**618,655**	737,588	503,302
NET INCREASE (DECREASE) IN CASH	**298,072,277**	(205,010,726)	329,265,012
CASH - note 6			
At beginning of year	**329,990,764**	535,001,490	205,736,478
At end of year	**₱ 628,063,041**	**₱ 329,990,764**	**₱ 535,001,490**

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

(Expressed in Philippine Peso)

1. CORPORATE INFORMATION

Pryce Corporation (the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") were incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on various dates as follows:

Name of Company	Date of Incorporation
Pryce Corporation (Parent Company)	September 7, 1989
Pryce Gases, Inc. (PGI)	October 8, 1987
Oro Oxygen Corporation (OOC)	April 4, 2006
Pryce Pharmaceuticals, Inc. (PPhI)	March 10, 2000

The Parent Company is primarily engaged in acquiring, purchasing, leasing, holding, selling or otherwise dealing in land and or real estate or any interest or right therein as well as real or personal property of every kind and description including but not limited to shares of stock in industrial, commercial, manufacturing and any other similar corporations. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). The Parent Company's stock price as at December 31, 2016 amounted to ₱5 per share.

The Parent Company's registered office address is 17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries, and the corresponding percentages of ownership of the Parent Company as at December 31:

Name of Subsidiary	Nature of Business	Year End	Ownership and Voting Interest 2016	2015
Pryce Gases, Inc. (PGI)	Manufacturer/Distributor of Industrial Gases and Liquefied Petroleum Gas (LPG)	December 31	**91.04%**	91.04%
Oro Oxygen Corporation (OOC)	Trading, and marketing in general merchandise, industrial, medical and other gases and Liquefied Petroleum Gas (LPG)	December 31	**90.69%**	89.73%
Pryce Pharmaceuticals, Inc. (PPhI)*	Trading of pharmaceutical products	December 31	**88.61%**	88.61%

** Includes indirect equity ownership of 13.61% in 2016 and 2015*

Pryce Gases, Inc. (PGI)

PGI is primarily engaged in the manufacture, production, purchase, sale and trade of all kinds of liquids and gases and other chemicals, other allied or related products, lease, operate, manage and construct and/or install for or on account of others, plants, equipment and machineries for the manufacture or production or distribution of the desired liquids and gases and other allied products.

On October 21, 2014, PGI was registered with the Board of Investments (BOI) under Article 39 (a) of Executive Order (EO) No. 226, otherwise known as Omnibus Investment Code of 1987 (as amended by Republic Act (RA) No. 7369 and further amended by RA 7918), as a new industry participant with new investment in storage, marketing and distribution of petroleum products. As a registered enterprise with the BOI, PGI is entitled to all benefits and incentives provided for under RA 7918 and EO 226. Under the income tax holiday period, PGI has three (3) tanks with 2,100 metric tons (MT) gross capacity for each tank located in San Fabian, Pangasinan. The incentive was availed of by PGI since January 1, 2014 for a period of five (5) years.

On February 5, 2015, the Board of Directors (BOD) approved the increase in the authorized capital stock (ACS) of PGI from ₱2.5 billion to ₱3.7 billion at ₱1 par value per share. On May 22, 2015, the SEC approved the increase in ACS of PGI. The Parent Company's equity interest was 91.04% as at December 31, 2016 and 2015.

As at December 31, 2016, PGI has eight (8) liquefied petroleum gas (LPG) marine-fed terminals and forty-five (45) refilling plants of varying storage capacities.

PGI's registered office address is 17th Floor Pryce Center, 1179 Don Chino Roces Avenue cor. Bagtikan Street, Makati City.

Oro Oxygen Corporation (OOC)

OOC is primarily engaged in the purchase, importation, sale and distribution and manufacture and/or production of all kinds of gases including LPG, industrial gases, such as, oxygen, acetylene, hydrogen, nitrogen, argon, carbon dioxide, nitrous oxide, compressed air and helium and other allied or related products, including its containers, equipment and other receptacles.

On July 13, 2015, a Deed of Assignment was executed between Mindanao Gardens, Inc. (MGI), the assignor, and PGI, the assignee, wherein MGI transfers, conveys, sells, cedes and assigns all his rights, title and interest in the 30,595,949 shares of OOC, with a par value of ₱1 per share, to PGI. Consequently, PGI increased its equity interest to 98.56% of the outstanding capital stock of OOC.

On April 12, 2016, a Deed of Assignment with Subscription to Shares was executed between PGI (the "Subscriber-Assignor") and OOC (the "Assignee Corporation"), wherein PGI absolutely assigns, transfers and conveys unto OOC ₱367,500,000 (the "Advances") of its advances made to the latter, for and in consideration of which, OOC hereby allows PGI to subscribe, as PGI hereby subscribes, to 367,500,000 shares of OOC, at the par value of ₱1 per share, full payment of which is hereby acknowledged by OOC through the foregoing assignment of the Advances as payment on the said subscription. As a result, PGI further increased its equity interest from 98.56% in 2015 to 99.62% in 2016 of the outstanding capital stock of OOC.

As at December 31, 2016, OOC has three (3) liquefied petroleum gas (LPG) refilling plants of varying storage capacities.

OOC's registered office address is 1st Lower Level Pryce Plaza Hotel, Carmen Hill, Cagayan de Oro City.

Pryce Pharmaceuticals, Inc. (PPhI)

PPhI is primarily engaged in the trading of pharmaceutical products on wholesale and retail basis.

PPhI's registered office address is LGF Skyland Plaza, corner Gil Puyat Avenue and Tindalo Street, Makati City.

On July 2, 2015, the Parent Company and its subsidiary, PGI, subscribed to 7.5 million and 1.495 million common shares of PPhI at a subscription price of ₱1 per share for a total consideration of ₱7.5 million and ₱1.495 million, respectively. As a result of the subscription, the Parent Company owns 75% direct equity interest and 13.61% indirect equity interest (through PGI) in PPhI.

Authorization for issue of the consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended December 31, 2016, including its comparatives as at and for the year ended December 31, 2015, and for each of the three years in the period ended December 31, 2016 were reviewed, approved and authorized for issue by the Board of Directors (BOD) on April 11, 2017.

2. STATUS OF OPERATIONS

Rehabilitation plan of the Parent Company

On July 12, 2004, the Parent Company filed a petition for corporate rehabilitation with the Regional Trial Court (RTC) of Makati City as an initial step towards the settlement of its outstanding loans and thereafter the RTC issued a Stay Order deferring all claims against the Parent Company and appointing a rehabilitation receiver. On September 13, 2004, the RTC issued an Order giving due course to the petition, and directing the rehabilitation receiver to evaluate and make recommendations on the Parent Company's rehabilitation plan.

On January 17, 2005, the RTC approved the Amended Rehabilitation Plan submitted by the rehabilitation receiver, which defined the scheme of liquidating all bank loans and long-term commercial papers by way of dacion en pago of real estate properties with certain revisions on the settlement of nonbanking and trade and other payables less than ₱500,000.

Termination of Corporate Rehabilitation Proceedings of Parent Company

On May 19, 2015, the Parent Company filed a Motion for Termination of Corporate Rehabilitation Proceedings with the RTC of Makati City asserting that the corporate rehabilitation has been successful and the instant proceedings may already be terminated. In relation to the Parent Company's Motion for Termination of Corporate Rehabilitation Proceedings, Hinundayan Holdings Corporation, the only remaining long term commercial paper (LTCP) creditor of the Parent Company, filed a manifestation stating that it has made certain arrangements with the Parent Company for the settlement of the said loan obligation, thus, endorsing the Parent Company's motion for the approval with the rehabilitation court. International Finance Corporation also filed its manifestation interposing no objection to the Parent Company's motion.

On July 28, 2015, the RTC of Makati City approved the Parent Company's Motion for Termination of Corporate Rehabilitation Proceedings. Considering the above manifestations and the report of the rehabilitation receiver, the court finds that, indeed, the Corporate Rehabilitation of the Parent Company has been successful.

Rehabilitation Plan of PGI

On June 7, 2002, PGI presented its financial rehabilitation plan to its various creditor banks and financing companies as an initial step towards restructuring its outstanding loans.

On August 27, 2002, two of the PGI's creditors filed a petition in court placing PGI under receivership and on September 2, 2002, the court issued a Stay Order pursuant to the interim rules of procedures on corporate rehabilitation. The court appointed a rehabilitation receiver who shall formulate a financial rehabilitation plan, examine the books of accounts and review all disbursements.

On July 3, 2003, the rehabilitation receiver submitted a revised rehabilitation plan (the "Rehabilitation Plan") to the court. On October 10, 2003, the court approved such Rehabilitation Plan but with modifications.

Termination of Corporate Rehabilitation Proceedings of PGI

On July 24, 2015, PGI filed a Motion for Termination of Corporate Rehabilitation Proceedings with the RTC of Makati City asserting that the corporate rehabilitation has been successful and the instant proceedings may already be terminated.

On August 27, 2015, the RTC of Makati City approved PGI's Motion for Termination of Corporate Rehabilitation Proceedings.

3. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

The consolidated financial statements of the Group have been prepared in conformity with Philippine Financial Reporting Standards (PFRS), except for the recognition of fair value gain on real estate properties transferred by the Parent Company to PGI as equity contribution, which have been taken up in the books and records of the Parent Company at cost instead of fair value as required under PFRS 3, *Business Combination*. This was a case of an extremely rare circumstance in which management concluded that compliance with a requirement in PFRS would so be misleading that it would conflict with the objectives of the consolidated financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the disclosures stated in Note 33. The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the former Standing Interpretations Committee (SIC), the Philippine Interpretations Committee (PIC) and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

Basis of presentation and measurement

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for land, building and structures, machinery and equipment and oxygen and acetylene cylinders, which have been measured using the revaluation model; and financial assets at fair value through profit or loss (FVPL), which have been measured at fair value.

The consolidated financial statements are presented in accordance with PAS 1 (Revised 2007), *Presentation of financial statements.* The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

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

Changes in accounting policies and disclosures

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

Annual Improvements to PFRSs 2012-2014 Cycle

The annual improvements addressed the following issues:

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

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

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

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

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

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

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

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

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

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

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

The amendment has no impact on the consolidated financial statements as the Group has no intangible assets subject to amortization.

PAS 16, Property, Plant and Equipment, and *PAS 41, Agriculture* - *Bearer Plants (Amendment)*. The amendments clarify that bearer plants are within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with PAS 16. The amendments also introduce the definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Moreover, it also clarifies that produce growing on bearer plants remains within the scope of PAS 41. The amendments are effective for annual periods beginning on or after January 1, 2016.

The amendment has no impact on the consolidated financial statements as the Group has no bearer plants.

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

The amendment has no impact on the consolidated financial statements since the Group elects to account for its investment in subsidiaries at cost in accordance with PAS 39 Financial Instruments: Recognition and Measurement.

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

The amendment has no impact on the consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary or joint venture that qualifies as an investment entity.

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

The amendment has no impact on the consolidated financial statements as the Group interest in joint operations was written-off in 2015.

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

The standard has no impact on the consolidated financial statements since the Group is no longer a first-time adopter of PFRS on its mandatory effective date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and all subsidiaries it controls. Control is achieved when the Parent Company has power over the investee, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect instruments. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these three elements of control. When the Parent Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Parent Company considers all relevant facts and circumstances in assessing whether or not the Parent Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Parent Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Parent Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets and liabilities acquired is considered as goodwill, which is presented under noncurrent assets account in the consolidated statements of financial position. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition), is accounted as bargain purchase and is shown as part of "Other income (net)" account in the consolidated statements of comprehensive income in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The financial statements of the subsidiaries are prepared for the same reporting year, using accounting policies that are consistent with those of the Company. Intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions are eliminated in full in the consolidation.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business acquisition over the fair values of the identifiable net assets and liabilities acquired. Subsequent to initial recognition, it is measured at cost less any accumulated impairment losses.

Should the fair values of the identifiable net assets and liabilities acquired exceeds the cost of business acquisition, the resulting gain is recognized as a bargain purchase in the consolidated statements of comprehensive income. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

When a subsidiary is sold, the difference between the selling price and the net assets plus the carrying amount of goodwill is recognized in the consolidated statements of comprehensive income.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated (or to the aggregate carrying amount of a group of cash-generating units to which the goodwill relates but cannot be allocated), an impairment loss is recognized immediately in the consolidated statements of comprehensive income. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill at the end of each reporting period.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately in the consolidated statements of comprehensive income and within the equity section of the consolidated statements of financial position, separate from the controlling interest of the Parent Company's equity. Non-controlling interest shares in the losses even if the losses exceed the non-controlling equity interest in the subsidiary. A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Non-controlling interest represents the 8.96% in 2016 and 2015 interest in PGI not owned by the Parent Company, 9.31% in 2016 and 10.27% in 2015 interest in OOC not owned by the Parent Company and 11.39% in 2016 and 2015 interest in PPhI not owned by the Parent Company. The non-controlling stockholders' share in losses of PGI, OOC and PPhI are limited to the investment made. Any additional losses are for the account of the Group.

Change in the Group's ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured at its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest in associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in the other comprehensive income are reclassified to profit or loss.

Segment reporting

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments consistent with the internal reporting reviewed by the strategic steering committee for purposes of allocating resources and assessing performance.

Financial instruments

Initial recognition, measurement and classification of financial instruments

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

Initial measurement

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

Classification

On initial recognition, the Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) financial assets and available-for-sale (AFS) financial assets. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

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

The Group does not hold financial assets at AFS or HTM financial assets and FVPL financial liabilities as at December 31, 2016 and 2015.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on financial assets at FVPL are recognized in the consolidated statements of comprehensive income under "Fair value adjustments" account.

Financial assets may be designated by management at initial recognition at FVPL when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

- The assets are part of a group of financial assets, which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets at FVPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "Fair value gain (loss)" line item in the consolidated statements of comprehensive income. Fair value is determined in the manner described in Note 7.

This category includes the Group's investment in listed equity securities presented under "Financial assets at fair value through profit or loss (FVPL)" account in the consolidated statements of financial position (see Note 7).

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement, such as financial assets at FVPL, and for nonrecurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

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

Fair value measurement disclosures of financial and non-financial assets are presented in Note 38 to the consolidated financial statements.

“Day 1” Difference

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

Loans and receivables

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

Gains and losses are recognized in consolidated statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the end of reporting period. Otherwise, these are classified as noncurrent assets.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

As at December 31, 2016 and 2015, included under loans and receivables are the Group's cash, trade and other receivables, and advances to related parties (see Notes 6, 8, and 22).

Cash

Cash includes cash on hand and in banks.

Trade and other receivables

Trade and other receivables consists of amounts due from customers, advances to suppliers and contractors, advances to officers and employees, refundable deposits, cylinder deposits, and other receivables.

Other financial liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the amortization process. Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs.

As at December 31, 2016 and 2015, included in other financial liabilities are the Group's trade and other payables, customers' deposits, installment contracts payable, short-term debts, and advances from related parties (see Notes 16, 17, 18, 19 and 22).

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payables include nontrade payables, deposits for park interment services, cylinder deposits, due to government agencies, accrued expenses and other payables.

Trade payable and accrued expenses are classified as current liabilities if payment is due within one (1) year or less or in the normal operating cycle of the business if longer, while nontrade payables are classified as current liabilities if payment is due within one (1) year or less. If not, these are presented as noncurrent liabilities.

Customers' deposits

Revenue on sales of residential units and memorial lots are recognized in full upon receipts of sufficient down payment and collectability of the sales price is reasonably assured. Accumulated collections on residential units and memorial lots contracts that have not yet meet the Group's specific revenue recognition criteria are recognized as customers' deposits.

Offsetting of financial assets and financial liabilities

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

Derecognition of financial assets and financial liabilities

(a) Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

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

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

Impairment of financial assets

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

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

(a) Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

(b) Loans and receivables

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statements of comprehensive income.

If in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, and the increase or decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account.

If a future write-off is later recovered, the recovery is recognized in the consolidated statements of comprehensive income under "Other income (net)" account. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group.

Real estate projects

Real estate projects are initially recognized at cost and are subsequently carried at the lower of cost and net realizable value. Cost consists of acquisition cost and expenditures for the development and improvement of subdivision and memorial park lots, and construction of the condominium units. Net realizable value is the estimated selling price less cost to complete and sell. The cost of real estate projects as disclosed in the Group's consolidated statements of financial position is determined using the specific identification and cost allocation for non-specific cost.

When the net realizable value of the real estate projects is lower than the cost, the Group provides for an allowance for the decline in the value of the real estate projects and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of real estate projects, arising from an increase in net realizable value, is recognized as a reduction in the amount of real estate projects recognized as an expense in the period in which the reversal occurs.

When real estate projects are sold, the carrying amount of those real estate projects is recognized as an expense in the period in which the related revenue is recognized.

Inventories

Inventories are composed of three (3) product lines namely as: (1) LPG, cylinders, stoves and accessories, (2) industrial gases and (3) pharmaceutical products.

LPG, cylinders, stoves and accessories include LPG bulk, content, cylinders and accessories such as burners and regulators.

Industrial gases' primary materials for processing is the liquid oxygen and calcium carbide purchased for production of oxygen and acetylene, respectively, which are produced and become ready for distribution in the market.

Pharmaceutical products are composed of medicinal drugs.

Inventories are initially measured at cost and subsequently measured at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- *Finished goods* – Cost includes cost of raw materials used, direct labor and the applicable allocation of fixed and variable overhead costs. This refers to LPG already filled in the cylinders. Unit cost is accounted by adding the production cost to the beginning inventories and divided by the beginning quantity and production. Production cost includes the merchandise inventory cost, bulk cost and refilling cost.

  Cost of pharmaceutical products is determined primarily on the basis of first-in, first-out (FIFO) method.

- *Raw materials* – Cost is determined primarily on the basis of moving average cost. Raw materials maintained at year end pertain to calcium carbide to be used in the production of acetylene under industrial gases product line.

- *General supplies* – Cost is determined using the first-in, first-out (FIFO) method. General supplies include accountable forms, office supplies, cylinder maintenance, electrical and oxygen supplies used for production.

Net realizable value for finished goods is the estimated selling price in the ordinary course of business less the estimated cost of marketing and distribution. Net realizable value for raw materials and materials and supplies is the current replacement cost. In case of supplies, net realizable value is the estimated realizable value of the supplies when disposed of at their condition at the end of reporting period.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Prepayments and other current assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account is mainly composed of prepaid maintenance, insurance, rent, taxes and licenses and other prepaid items. Prepaid rentals and insurance premiums and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statements of comprehensive income when incurred. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized. Prepayments that are expected to be realized for no more than twelve (12) months after the reporting period are classified as current assets, otherwise, these are classified as other noncurrent assets.

Claims for input VAT and other prepaid taxes are stated at fair value less provision for impairment, if any. Allowance for unrecoverable input VAT and prepaid taxes, if any, is maintained by the Group at a level considered adequate to provide for potential uncollectible portion of the claims.

The Group, on a continuing basis, makes a review of the status of the claims designed to identify those that may require provision for impairment losses.

Property, plant and equipment

Property, plant and equipment are initially measured at cost. Subsequent to initial recognition, they are stated at cost less accumulated depreciation and any impairment in value, except for land and land improvements, buildings and structures, LPG machineries and equipment, oxygen and acetylene cylinders, and hotel and office equipment, which are carried at revalued amounts, as determined by an independent appraiser, less any accumulated depreciation and any impairment in value. Additions subsequent to the date of appraisal are stated at cost.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use and the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standards of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Independent appraisal on land and land improvements, buildings and structures, LPG machineries and equipment oxygen and acetylene cylinders, and hotel and office equipment was performed by an independent firm of appraisers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Following initial recognition at cost, land, land improvements, buildings, oxygen and acetylene cylinders, and hotel and office equipment are carried at revalued amounts, which are the fair values at the date of revaluation, as determined by independent appraisers, less subsequent accumulated depreciation (except land) and any accumulated impairment losses. Revalued amounts are fair market values determined in appraisals by external professional valuers unless market-based factors indicate immediate impairment risk.

Fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognized in other comprehensive income and credited to the revaluation reserves account in the equity section of the consolidated statements of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in the consolidated statements of comprehensive income. Annually, an amount from the "Revaluation reserve" account is transferred to retained earnings for the depreciation relating to the revaluation surplus. Upon disposal of revalued assets, amounts included in "Revaluation reserve" account relating to them are transferred to retained earnings (deficit).

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	In Years
Building and structures	20-40
LPG plant, machinery and equipment	20
Oxygen and acetylene cylinders	15
Land improvements	5-15
Machinery and equipment	9-10
Hotel and office equipment	9
Transportation equipment	5-6
Furniture, fixtures and equipment	5

Leasehold improvements are depreciated over the lease term or estimated useful lives of the improvements, whichever is shorter.

Construction in progress is stated at cost. This includes cost of construction and other direct costs, and is not depreciated until such time that the relevant assets are completed and put into operational use.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increased in carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for that asset in prior years.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, is measured initially at cost. Cost includes purchase price and any other cost directly attributable to bringing the assets to its working condition and location for its intended use. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment loss, if any.

Subsequent expenditures relating to an item of investment property that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to 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 less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for that asset in prior years.

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

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

As at December 31, 2016 and 2015, included in investment properties are the Group's land and memorial lawn lots, which are held for lease and capital appreciation, respectively.

Impairment of nonfinancial assets other than goodwill

The carrying values of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their estimated recoverable amount.

The estimated recoverable amount is the greater of net selling price or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statements of comprehensive income, which are recognized as reduction in the revaluation reserve and any excess as a charge to current operations.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increase in carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Borrowings and borrowing costs

(a) Borrowings

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

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

(b) Borrowing costs

Borrowing costs are generally recognized as expense in the year in which these costs are incurred, except for those borrowing costs that are directly attributable to the development of real estate project which are capitalized as part of the cost of the projects. The capitalization of borrowing costs as part of the cost of such assets: (a) commences when the expenditure and borrowing costs for the assets are being incurred and activities that are necessary to prepare the assets for their intended sale are in progress; (b) is suspended during the extended periods in which active development of the assets are interrupted; and (c) ceases when substantially all activities necessary to prepare the assets for their intended sale are completed.

Leases

Group as a lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged in the consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income.

Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each reporting date, the Group reassesses the need to recognize previously unrecognized deferred income tax asset.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Retirement benefit obligation

a.) Retirement obligations

The Group provides retirement benefits to employees through a defined benefit plan. A defined benefit plan is a pension plan that determines the amount of pension benefit an employee would receive upon retirement, usually dependent on several factors such as age, salary and length of service.

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. The defined benefit cost comprises of the service cost, net interest on the defined benefit liability or asset and the remeasurement of net defined benefit liability or asset.

Retirement benefit expense comprises the following:

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

Service cost, which includes current service cost and gains and losses on settlement are recognized as expense in the consolidated statements of comprehensive income.

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

Remeasurements comprising actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified in the consolidated statements of comprehensive income in subsequent periods. All remeasurements are recognized in “Remeasurement gains (loss) on retirement benefit obligation” account under other comprehensive income, and is presented in the consolidated statements of financial position, are not reclassified to another equity account in subsequent periods.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve (12) months after the end of the reporting period are discounted to their present value.

(c) Other long-term benefits

The Group’s net obligation in respect of long-term benefits other than pension plans is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the end of the reporting period of high quality bonds that have maturity dates approximating the terms of the Group’s obligations. The calculation is performed using the projected unit credit method. The Group recognized the net total of service cost, net interest on the net defined benefit liability (asset), and remeasurements of the net defined benefit liability (asset) in profit or loss.

(d) Profit-sharing and bonus plans

The Group can recognize a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group can recognize a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Related party relationships and transactions

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

Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Incremental costs directly attributable to the issue of new shares are deducted from additional paid-in-capital, net of tax. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one (1) class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Retained earnings (deficit) represents accumulated earnings and losses of the Group, and any other adjustments to it as required by other standards, less dividends declared.

Treasury stock represents own equity instruments reacquired, the amount of the consideration paid, including directly attributable cost, net of any tax effects, is recognized as a reduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized as Additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to Additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, while expenses are recognized upon utilization of the service or at the date they are incurred. The following specific recognition criteria must also be met before revenue or expense is recognized:

- *Revenue on sales of residential units and memorial lots*

  Revenues are recognized in full when substantially complete and upon receipt of sufficient down payment, provided that the profit is reliably determinable; that is, the collectability of the sales price is reasonably assured and the earning process is virtually complete, that is the seller is not obliged to perform significant activities after the sale to earn the profit.

  Accumulated collections on contracts not yet recognized as revenue are recorded under the "Customers' deposits" account in the consolidated statements of financial position.

- *Revenues arising from hotel operations*

  Revenues are recognized when services are rendered, while those from banquet and other special events are recognized when the events take place. These are shown under "Hotel operations" account in the consolidated statements of comprehensive income.

- *Sale of goods*

  Revenue from sale of goods, shown under "Liquefied petroleum gases, and industrial gases" and "pharmaceutical products" accounts, are recognized when the risks and rewards of ownership of the goods have passed to the buyer. Sale of goods is measured at the fair value of the consideration received or receivable, excluding discounts, returns and value-added tax (VAT).

- *Rental income from operating lease*

  Rental income is recognized when actually earned in accordance with the terms of the lease agreement.

- *Interest income*

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

- *Dividend income*

  Dividend income is recognized when the Group's right to receive payment is established. The right to receive payment is usually established when the dividends is declared by the Board of Directors (BOD).

- *Other comprehensive income*

  Other comprehensive income (OCI) comprises items of income and expenses, including items previously presented under the consolidated statements of changes in equity, that are not recognized in profit or loss for the year in accordance with PFRS.

- *Other income*

  Other income is recognized when earned.

Cost and expense recognition

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

Expenses are recognized in consolidated statements of comprehensive income: on the basis of a direct association between the cost incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefit or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position of an asset.

Cost of real estate projects sold before completion of the development and construction is determined based on the actual development costs incurred to date plus estimated cost to complete the project as determined by the Group’s technical staff and contractors. These estimates are reviewed periodically to take into consideration the changes in cost estimates.

Cost of goods sold is recognized as expense when the related goods are sold.

Foreign currency-denominated transactions and translations

(a) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Philippine peso (₱) the Group's functional and presentation currency.

(b) Transactions and balances

Transactions denominated in foreign currencies are recorded using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the applicable rate of exchange at the end of reach reporting period. Foreign exchange gains or losses are recognized in the consolidated statements of comprehensive income.

Provisions and contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and the amount can be estimated reliably. The expense relating to any provision is presented in the consolidated statements of comprehensive income, net of any reimbursement.

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

Earnings per share

Earnings per share is computed by dividing net income by the weighted average number of common shares issued, subscribed and outstanding during the year with retroactive adjustments for stock dividends declared.

Events after the reporting period

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting judgments in applying the Group's accounting policies

(a) Functional currency

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

(b) Revenue recognition on real estate transactions

The management requires certain judgments in selecting an appropriate revenue recognition method for real estate transactions based on sufficiency of payments by the buyer and completion of the project. The Group believes the sufficient level of payments as determined by management in recognizing revenue is appropriate.

(c) Operating lease

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

The Group classified the lease as operating lease, since the Group believes that the lessor does not transfer substantially all the risks and benefits on the ownership of the assets.

(d) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment. The Group accounts for all its properties as investment properties.

(e) Allowance for impairment of trade and other receivables

The Group maintains allowance for impairment on potentially uncollectible receivables, due from related parties and advance payments to suppliers and contractors, and writing off accounts considered uncollectible. Allowance is made for specific group of accounts, where objective evidence of impairment exists.

The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. These factors are used by the Group as a basis in making judgments whether or not to record allowance for impairment.

The management assessed trade receivables pertaining to sales of real estate to be good, since the Group retains the title of the property until fully paid. The Group considers the carrying amounts of trade and other receivables to be a reasonable approximation of their fair values. Further, it has determined that any changes occurred affecting the balance of allowance for impairment is insignificant.

(f) Allowance for impairment on real estate projects

The real estate projects are stated at costs, which are lower than their net realizable values. It is management's evaluation that the stated costs of the real estate projects are lower than their net realizable value as at the end of reporting period, and that there are no indications of impairment as at the reporting date.

(g) Impairment of prepayments and other current assets

Prepayments and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. The Group's management evaluated that based on their review; there were no indicators of impairment as at December 31, 2016 and 2015.

(h) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized whenever there is existing evidence that the carrying amount is not recoverable. Management believes that there are no indications that the property, plant and equipment are impaired as at December 31, 2016 and 2015.

(i) Income taxes

Significant judgment is required in determining the provision for income taxes. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. Realization of future tax benefit related to the deferred tax assets is dependent on many factors, including the Group's ability to generate taxable income during the periods in which those temporary differences are expected to be recovered. Management has considered these factors in reaching its conclusion to provide a full valuation allowance on deferred tax assets in as much as management assessed that the carry forward benefit is not realizable in the near future.

(j) Provisions and contingencies

The management exercises its judgment to distinguish between provisions and contingencies. Policies on provisions and contingencies are discussed in Note 4.

The Group is involved in litigations, claims and disputes arising in the ordinary course of business. Management believes that the ultimate liability, if any, with respect to such litigations, claims and disputes will not materially affect the financial position and results of operations of the Group.

Significant accounting estimates and assumptions

(a) Determining net realizable value of inventories

Management determines estimated selling price of inventories by taking into account the most reliable evidence available at the time the estimates are made. The Group's primary operations are primarily and continuously subject to price changes in the active market; thus, may cause significant adjustments to its inventories within the next financial year.

As at December 31, 2016 and 2015, the carrying amount of inventories amounted to ₱610.38 million and ₱536.59 million, respectively (see Note 9).

(b) Determining net realizable value of real estate projects

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the time the estimates are made. These are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's real estate projects within the next financial year.

As at December 31, 2016 and 2015, the net carrying amounts of real estate projects amounted to ₱822.60 million and ₱852.72 million, respectively (see Note 10).

(c) Useful lives of property, plant and equipment

Estimates are made on the useful lives of the Group's property, plant and equipment based on the periods over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technological or commercial obsolescence, or other limits on the use of such assets. In addition, estimates are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by the changes in estimates brought about by the factors mentioned above.

As at December 31, 2016 and 2015, the carrying amounts of property, plant and equipment, net of accumulated depreciation of ₱3.82 billion and ₱3.54 billion, amounted to ₱5.45 billion and ₱2.70 billion, respectively (see Notes 12 and 13).

(d) Impairment of goodwill

Determining whether goodwill is impaired requires estimation of the value of cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill amounted to ₱70.67 million as at December 31, 2016 and 2015 (see Note 15). No impairment was recognized for the years ended December 31, 2016 and 2015.

(e) Retirement benefit obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using the number of assumptions. The assumptions used in determining the retirement benefit expense include the discount rate and salary increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Group considers the interest rates of government bonds and have terms of maturity approximating the terms of the related retirement benefit obligation.

Other key assumptions for retirement benefit obligation are based in part on current market conditions.

The carrying amount of the Group's retirement benefit obligation amounted to ₱225.85 million and ₱208.94 million as at December 31, 2016 and 2015, respectively (see Note 29).

(f) Recognition and realizability of deferred tax assets

Deferred tax assets are recognized for all unused tax losses and future tax credits. At end of the reporting period, the Group reviews its deferred tax assets and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on industry trends and projected performance in assessing the sufficiency of taxable income.

As at December 31, 2016 and 2015, the estimates of future taxable income indicate that certain temporary differences will be realized in the future, to which the Group recognized deferred tax assets amounting to ₱67.76 million and ₱16.54 million, net of valuation allowance amounting to ₱9.18 million and ₱55.32 million (see Note 31).

(g) Impairment of nonfinancial assets other than goodwill

Management is required to perform test of impairment when impairment indicators are present. Property, plant and equipment are periodically reviewed to determine any indications of impairment. Management is required to make estimates to determine future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value in use. Though it believes that the estimates and assumptions used in the determination of recoverable amounts are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

At the end of each reporting period, the Group reassessed any impairment in value of appraised land, buildings and structures, machinery and equipment, and oxygen and acetylene cylinders under industrial gases operation and hotel and office equipment based on value in use. The Group also reassessed any impairment in value on property, plant and equipment carried at cost under LPG operations based on value in use as at December 31, 2016 and 2015. The value in use was computed based on present value of projected net cash flows of such operations for the next ten (10) years using the pre-tax discounted rate of 5% in both 2016 and 2015.

The value in use was computed based on present value of projected net cash flows of such operations for the next ten years using the pre-tax discounted rate of five percent (5%) in both 2016 and 2015. The result of computation showed that the estimated recoverable amounts of such assets exceeded its carrying values by ₱792 million and ₱852 million as at December 31, 2016 and 2015, respectively.

6. CASH

This account consists of:

	2016	2015
Cash on hand	**₱ 49,436,990**	₱ 32,408,979
Cash in banks	**578,626,051**	297,581,785
	₱ 628,063,041	₱ 329,990,764

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from bank deposits is disclosed as part of the "Other income (net)" account in the consolidated statements of comprehensive income in the amount of ₱712,279 and ₱271,762 for the years ended December 31, 2016 and 2015, respectively (see Note 27).

There are no legal restrictions on the Group's cash as at December 31, 2016 and 2015.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVPL)

The movement of the account is as follows:

	2016	2015
Cost		
Balance at beginning of year	**₱ 369,120,955**	₱ 302,244,065
Additions	**36,738,434**	149,053,027
Disposals	**(49,569,574)**	(82,176,137)
	356,289,815	369,120,955
Fair value gain	**73,305,099**	13,084,850
Balance at end of year	**₱ 429,594,914**	₱ 382,205,805

This consists of equity securities from various listed companies in the Philippines. The fair values of these securities have been determined directly by reference to published prices quoted in the active market at the end of the reporting period.

Proceeds from the sale of the Group's financial assets at FVPL for the years ended December 31, 2016 and 2015 amounted to ₱114.5 million and ₱94.9 million, respectively, which resulted to gain on sale of ₱54.6 million in 2016 and ₱12.7 million in 2015 and is presented under "Other income (net)" account in the consolidated statements of comprehensive income (see Note 27).

Dividend income earned from financial assets at FVPL is presented under "Other income (net)" account in the consolidated statements of comprehensive income amounting to ₱4.9 million and ₱4.8 million for the years ended December 31, 2016 and 2015, respectively (see Note 27).

The movements of the fair value gain as at December 31 are as follows:

	2016	2015
Balance at beginning of year	**₱ 13,084,850**	₱ 46,827,735
Fair value gain (loss) during the year	**60,220,249**	(33,742,885)
Balance at end of year	**₱ 73,305,099**	₱ 13,084,850

The Group recognizes the fair value gain (loss) on financial assets at FVPL under "Fair value gain (loss)" account in the consolidated statements of comprehensive income.

8. TRADE AND OTHER RECEIVABLES (NET)

This account consists of:

	2016	2015
Trade	**₱ 263,265,335**	₱ 314,666,976
Advances to contractors and suppliers	**34,251,292**	8,762,642
Advances to officers and employees	**30,117,970**	35,579,985
Refundable deposits	**13,630,854**	9,303,098
Cylinder deposits	**1,903,304**	1,903,304
Others	**22,557,043**	23,357,016
	365,725,798	393,573,021
Less: Allowance for impairment loss	**30,589,742**	30,589,742
Net	**₱ 335,136,056**	₱ 362,983,279

Trade receivables of PGI and OOC are usually due within thirty (30) to one hundred twenty (120) days and do not bear any interest. All trade receivables are subject to credit risk exposure. However, the Group has no significant concentration of credit risk as the amounts recognized represent a large number of receivables from various customers.

Advances to officers and employees are non-interest bearing and collectible through salary deductions. This also includes, among others, car plan offered to officers and employees with repayment terms.

The movements in the allowance for impairment losses are as follows:

	2016	2015
Balance at beginning of year	**₱ 30,589,742**	₱ 50,827,761
Write-off during the year	**-**	(20,238,019)
Balance at end of year	**₱ 30,589,742**	₱ 30,589,742

Management considers the carrying amounts of trade and other receivables to be a reasonable approximation of their fair values. Further, it has determined that any changes occurred affecting the balance of allowance for impairment is insignificant.

9. INVENTORIES

This account consists of:

	2016	2015
Finished goods:		
LPG, cylinders, stoves and accessories	**₱ 466,505,660**	₱ 371,584,869
Industrial gases	**7,649,389**	9,956,793
Pharmaceutical products	**2,743,015**	4,868,563
	476,898,064	386,410,225
In-transit LPG	**50,332,770**	60,969,238
Material and supplies	**73,657,763**	80,439,051
Raw materials	**9,493,615**	8,767,211
	₱ 610,382,212	₱ 536,585,725

The inventories are stated at costs, which are lower than their net realizable values.

In-transit LPG inventories are under the cost, insurance and freight shipping term (CIF). The title and risk of loss shall pass to the buyer upon delivery of the goods to the carrier.

Inventories charged to cost of sales amounted to ₱4,924,454,622 and ₱4,229,941,714 for the year ended December 31, 2016 and 2015, respectively (see Note 24).

10. REAL ESTATE PROJECTS

Real estate projects consist of:

		2016		2015
Memorial park lots:				
Zamboanga Memorial Gardens	₱	**71,312,390**	₱	71,740,838
Cagayan de Oro Gardens		**71,220,811**		74,661,704
Mt. Apo Gardens		**63,431,444**		63,735,003
Pryce Gardens – Pagadian		**49,706,942**		49,615,067
Pryce Gardens – Manolo Fortich		**38,957,765**		28,257,030
Pryce Gardens – Alabel		**23,544,096**		23,557,836
North Zamboanga Gardens		**18,391,581**		18,527,122
Ma. Cristina Gardens		**17,278,344**		17,195,224
Pryce Gardens – Bislig		**15,686,595**		15,734,334
Ozamis Memorial Gardens		**15,513,666**		15,715,719
Pryce Gardens – Malita		**13,409,232**		13,470,164
Pryce Gardens – Malaybalay		**11,114,860**		11,316,069
		409,567,726		403,526,110
Subdivision lots:				
Villa Josefina Resort Village		**68,538,020**		68,538,020
Puerto Heights Village		**30,770,005**		30,770,005
Saint Joseph Homes		**11,980,499**		11,980,499
		111,288,524		111,288,524
Condominium units:				
Pryce Tower		**98,768,412**		98,768,412
Land held for future development:				
Cagayan de Oro		**127,866,927**		164,022,528
Davao		**47,133,094**		47,133,094
Misamis Oriental		**27,979,122**		27,979,122
		202,979,143		239,134,744
	₱	**822,603,805**	₱	852,717,790

The real estate projects are stated at costs which are lower than their net realizable values.

11. PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2016	2015
Prepaid rent	**₱ 29,677,485**	₱ 27,172,997
Prepaid taxes and licenses	**12,713,304**	7,086,331
Prepaid insurance	**8,174,126**	6,711,376
Prepaid maintenance	**6,865,608**	3,587,389
Creditable withholding tax	**5,292,524**	577,619
Inventory materials	**2,994,913**	2,260,493
Deferred charges	**1,643,392**	3,282,727
Input tax	**1,275,918**	216,778
Foods and materials inventory	**593,446**	1,580,911
Others	**7,111,959**	7,560,263
	₱ 76,342,675	₱ 60,036,884

Prepaid maintenance pertains to maintenance cost incurred for the requalification procedures on LPG bulk tanks and other machinery.

Deferred charges represent project development cost in progress.

Others include, among others, terminal refilling and other plant repairs that are amortized within one (1) year.

12. PROPERTY, PLANT AND EQUIPMENT AT REVALUED AMOUNTS (NET)

Reconciliations of net carrying amounts at the beginning and end of 2016 and 2015, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at revalued are shown below:

As at December 31, 2016

	Net carrying amounts, January 1, 2016	**Appraisal increase (decrease)**	**Additions**	**Depreciation**	**Reclassification**	**Disposals**	**Net carrying amounts, December 31, 2016**
Land and improvements	₱ 488,102,652	₱ 829,719,465	₱ 57,962,165	(₱ 1,019,549)	₱ -	₱ -	₱ 1,374,764,733
Buildings and structures	160,372,411	650,999,953	20,125,084	(31,558,984)	-	(2,094,759)	797,843,705
Machinery and equipment	9,977,485	713,032,094	464,286	(22,919,028)	956,313,337	-	1,656,868,174
Oxygen and acetylene cylinders	88,778,270	237,888,139	-	(23,360,857)	-	(6,861,149)	296,444,403
Hotel and office equipment	9,922,905	(170,974)	159,746	(1,681,838)	-	-	8,229,839
	₱ 757,153,723	**₱ 2,431,468,677**	**₱ 78,711,281**	**(₱ 80,540,256)**	**₱ 956,313,337**	**(₱ 8,955,908)**	**₱ 4,134,150,854**

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
Land and improvements	₱ 1,389,505,085	(₱ 14,740,352)	₱ 1,374,764,733
Buildings and structures	1,236,650,786	(438,807,081)	797,843,705
Machinery and equipment	3,736,234,920	(2,079,366,746)	1,656,868,174
Oxygen and acetylene cylinders	942,829,585	(646,385,182)	296,444,403
Hotel and office equipment	73,278,235	(65,048,396)	8,229,839
	₱ 7,378,498,611	**(₱ 3,244,347,757)**	**₱ 4,134,150,854**

As at December 31, 2015

	Net carrying amounts, January 1, 2015	Additions	Depreciation	Disposal	Net carrying amounts, December 31, 2015
Land and improvements	₱ 350,835,216	₱ 138,051,313	(₱ 783,877)	₱ -	₱ 488,102,652
Buildings and structures	174,365,404	2,825,358	(16,818,351)	-	160,372,411
Machinery and equipment	12,818,560	253,087	(3,094,162)	-	9,977,485
Oxygen and acetylene cylinders	112,122,769	-	(21,041,165)	(2,303,334)	88,778,270
Hotel and office equipment	10,861,736	385,247	(1,324,078)	-	9,922,905
	₱ 661,003,685	₱ 141,515,005	(₱43,061,633)	(₱2,303,334)	₱ 757,153,723

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2015
Land and improvements	₱ 501,823,455	(₱ 13,720,803)	₱ 488,102,652
Buildings and structures	567,620,509	(407,248,098)	160,372,411
Machinery and equipment	220,138,803	(210,161,318)	9,977,485
Oxygen and acetylene cylinders	711,802,595	(623,024,325)	88,778,270
Hotel and office equipment	73,289,463	(63,366,558)	9,922,905
	₱ 2,074,674,825	(₱ 1,317,521,102)	₱ 757,153,723

If revalued property, plant and equipment were carried at historical cost, the carrying amounts would be as follows:

As at December 31, 2016

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
Land and improvements	₱ 468,498,617	(₱ 12,505,976)	₱ 455,992,641
Buildings and structures	457,545,578	(333,506,564)	124,039,014
Machinery and equipment	2,919,142,322	(1,959,671,876)	959,470,446
Oxygen and acetylene cylinders	544,559,101	(488,907,147)	55,651,954
Hotel and office equipment	55,145,308	(48,033,544)	7,111,764
	₱ 4,444,890,926	**(₱ 2,842,625,107)**	**₱ 1,602,265,819**

As at December 31, 2015

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2015
Land and improvements	₱ 343,190,110	(₱ 12,038,067)	₱ 331,152,043
Buildings and structures	441,637,984	(319,258,530)	122,379,454
Machinery and equipment	116,078,299	(112,451,054)	3,627,245
Oxygen and acetylene cylinders	551,420,250	(468,686,187)	82,734,063
Hotel and office equipment	54,985,563	(46,647,968)	8,337,595
	₱ 1,507,312,206	(₱ 959,081,806)	₱ 548,230,400

Depreciation charged to operations was allocated as follows:

	2016	2015
Cost of sales:		
Industrial gases – note 24	**₱ 42,963,711**	₱ 22,049,355
Hotel operations – note 24	**6,449,673**	5,944,074
Operating expenses:		
Selling – note 25	**8,029,845**	4,120,987
General and administrative – note 25	**23,097,027**	10,947,217
	₱ 80,540,256	₱ 43,061,633

The above depreciation includes depreciation on appraisal increase amounting to ₱8.4 million in 2016 and ₱5.7 million in 2015, which also represents transfer of realized portion of revaluation reserve to retained earnings (deficit).

The fair market value of the properties was determined by an independent appraiser in June 29, 2016 and September 11, 2016. The valuation, which conforms to International Valuation Standards, was determined by reference to recent market transactions between market participants at the measurement date. The revaluation reserves, net of applicable deferred income taxes, were credited to “Revaluation reserves” and are shown in “Other comprehensive income” in the stockholders equity.

13. PROPERTY, PLANT AND EQUIPMENT AT COST (NET)

Reconciliations of the net carrying amounts at the beginning and end of 2016 and 2015, and the gross carrying amounts and the accumulated depreciation of property, plant and equipment at cost are as follows:

As at December 31, 2016

	Net carrying amounts, January 1, 2016	Additions	Reclassification	Disposals	Depreciation	Net carrying amounts, December 31, 2016
LPG plant machinery and equipment	₱ 1,029,615,384	₱ 155,450,360	(₱ 956,313,337)	(₱ 938,740)	(₱ 149,645,743)	₱ 78,167,924
Machinery and equipment	353,804,125	2,386,786	-	(2,354,013)	(22,353,355)	331,483,543
Transportation equipment	77,717,280	27,556,802	-	(9,214,359)	(19,830,091)	76,229,632
Leasehold improvement	3,833,407	297,255	-	-	(1,301,774)	2,828,888
Furniture, fixtures and equipment	19,059,857	10,036,586	-	(460,613)	(6,620,924)	22,014,906
Construction in progress	453,133,402	350,483,454	-	(1,709,763)	-	801,907,093
Building and structures	7,147,974	-	-	-	(461,974)	6,686,000
	₱ 1,944,311,429	**₱ 546,211,243**	**(₱ 956,313,337)**	**(₱ 14,677,488)**	**(₱ 200,213,861)**	**₱ 1,319,317,986**

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2016
LPG plant machinery and equipment	₱ 138,986,623	(₱ 60,818,699)	₱ 78,167,924
Machinery and equipment	464,597,859	(133,114,316)	331,483,543
Transportation equipment	346,378,539	(270,148,907)	76,229,632
Leasehold improvement	17,244,551	(14,415,663)	2,828,888
Furniture, fixtures and equipment	118,206,069	(96,191,163)	22,014,906
Construction in progress	801,907,093	-	801,907,093
Building and structures	9,239,474	(2,553,474)	6,686,000
	₱ 1,896,560,208	**(₱ 577,242,222)**	**₱ 1,319,317,986**

As at December 31, 2015

	Net carrying amounts, January 1, 2015	Additions	Depreciation	Net carrying amounts, December 31, 2015
LPG plant machinery and equipment	₱ 1,157,449,310	₱ 24,780,012	(₱152,613,938)	₱ 1,029,615,384
Machinery and equipment	319,828,271	52,935,944	(18,960,090)	353,804,125
Transportation equipment	70,760,940	34,394,206	(27,437,866)	77,717,280
Leasehold improvement	5,036,096	-	(1,202,689)	3,833,407
Furniture, fixtures and equipment	21,010,432	5,220,094	(7,170,669)	19,059,857
Construction in progress	106,186,270	346,947,132	-	453,133,402
Building and structures	7,609,948	-	(461,974)	7,147,974
	₱ 1,687,881,267	₱ 464,277,388	(₱207,847,226)	₱ 1,944,311,429

	Cost	Accumulated depreciation	Net carrying amounts, December 31, 2015
LPG plant machinery and equipment	₱ 2,774,813,238	(₱ 1,745,197,854)	₱ 1,029,615,384
Machinery and equipment	476,826,588	(123,022,463)	353,804,125
Transportation equipment	328,036,096	(250,318,816)	77,717,280
Leasehold improvement	16,947,296	(13,113,889)	3,833,407
Furniture, fixtures and equipment	108,630,097	(89,570,240)	19,059,857
Construction in progress	453,133,402	-	453,133,402
Building and structures	9,239,474	(2,091,500)	7,147,974
	₱ 4,167,626,191	(₱ 2,223,314,762)	₱ 1,944,311,429

Depreciation charged to operations was allocated as follows:

	2016	2015
Cost of sales:		
LPG, cylinders, stoves and accessories - note 24	**₱ 125,593,429**	₱ 133,118,291
Industrial gases – note 24	**7,553,402**	7,625,667
Operating expenses:		
Selling – note 25	**19,410,340**	20,071,149
General and administrative - note 25	**47,656,690**	47,032,119
	₱ 200,213,861	₱ 207,847,226

Construction in progress pertains mainly to LPG and refilling plants.

14. INVESTMENT PROPERTIES

This account consists of:

	2016	2015
Memorial lawn lots	**₱ 72,930,747**	₱ 72,930,747
Land	**37,027,141**	37,027,141
	₱ 109,957,888	₱ 109,957,888

The land pertains to three (3) parcels of land located in Luzon, which were acquired in 2014. These parcels of land are held for lease by one of its subsidiaries.

The memorial lawn lots are located in various memorial parks owned and operated by the Parent Company in Mindanao. With the termination of the rehabilitation plan (see Note 2) and PGI's intention to hold these assets for capital appreciation, the memorial lawn lots have been reclassified to investment properties from previously classified as "assets held for dacion en pago".

The investment properties are not subject to any liens or encumbrances.

The fair value of the land is the same as its cost since the management believes that the fair value of the investment properties does not significantly change from the time of acquisition.

The Group considers the carrying amount of the memorial lawn lots to be a reasonable approximation of their fair values. The approximation is assessed by management based on the selling price of memorial lots by the Parent Company.

15. GOODWILL

Goodwill mainly comprises the excess of the cost of business acquisition over the fair value of the identifiable assets and liabilities acquired by the Group.

	2016	2015
Attributable to:		
Investment in subsidiaries by Parent Company		
Pryce Gases, Inc. (PGI)	**₱ 68,897,066**	₱ 68,897,066
Pryce Pharmaceuticals, Inc. (PPhI)	**1,771,239**	1,771,239
	₱ 70,668,305	₱ 70,668,305

Acquisition of PGI

The recoverable amount of PGI's cash generating units (CGUs) was based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to cash flow projections of 8.0%. Cash flows beyond the five-year period are extrapolated using the steady growth rate of 1.0%. The carrying value of goodwill amounted to ₱68,897,066 as at December 31, 2016 and 2015. No impairment loss was recognized for goodwill arising from the acquisition of PGI.

The calculations of value in use for the PGI's CGU are most sensitive to the following assumptions:

- Budgeted gross margin – The management determined budgeted gross margin based on past performance and its expectations for the market development.
- Growth rate – The projected growth rate is based on a conservative steady growth rate that does not exceed the compounded annual growth rate of the global LPG industry.
- Pre-tax discount rate – Discount rates reflect management's best estimate of the risks associated with the specific CGU. This is the benchmark rate used by management to measure operating performance.

On the assessment of the value in use of PGI, management believes that no reasonably possible change in any of the aforementioned assumptions would cause the carrying value of the CGU to exceed their recoverable amount.

Acquisition of PPhI

On July 2, 2015, the Parent Company and its subsidiary, PGI, subscribed to 7.5 million and 1.495 million common shares of PPhI, respectively, at a subscription price of ₱1 per share for a total consideration of ₱7.5 million and ₱1.495 million, respectively. As a result of the subscription, the Parent Company owns 75% direct equity interest and 13.61% indirect equity interest (through PGI) in PPhI.

The following table summarizes the consideration transferred for the fair value of the net assets acquired assumed at the acquisition date.

Net assets	₱ 7,638,348
Share of non-controlling shareholders	(1,909,587)
	5,728,761
Total consideration transferred	(7,500,000)
Goodwill	₱ 1,771,239

16. TRADE AND OTHER PAYABLES

	2016	2015
Accounts payable:		
Trade	₱ **265,429,636**	₱ 969,409,021
Nontrade	**3,211,285**	5,815,480
Accrued expenses:		
Salaries, wages and benefits	**12,097,549**	12,398,890
Others	**17,669,723**	9,141,279
Deposits for park internment services	**77,727,264**	63,406,359
Cylinder deposits	**59,506,705**	45,538,392
Due to government agencies	**22,095,047**	25,343,177
Reserve fund liability	**9,427,036**	8,608,970
Deferred income	**2,563,926**	4,019,156
	₱ **469,728,171**	₱ 1,143,680,724

Cylinder deposits pertain to deposits made by customers for its fifty (50) kg LPG cylinders and industrial gases cylinders lent out by the Group.

Deferred income pertains to interest related to the car plans offered by the Group to certain officers and employees.

Due to government agencies include SSS, HDMF and PHIC payable, withholding taxes and other taxes payable.

Other accrued expenses pertain to accrual of utilities, maintenance and security agency fees.

17. CUSTOMERS' DEPOSITS

This account represents accumulated collections on residential units and memorial lots sold to customers but have not yet met the Group's specific revenue recognition criteria. Such deposits will be applied against receivables upon recognition of related revenues.

The customers' deposits amounted to ₱180,679,468 and ₱154,981,477 as at December 31, 2016 and 2015, respectively.

18. INSTALLMENT CONTRACTS PAYABLE

On June 25, 2014, the Parent Company entered into a memorandum of agreement with a universal banking corporation (the "Bank") wherein the Bank awarded to the Parent Company the privilege to purchase all of the Bank's rights, titles and interests in and to the 110 residential vacant subdivision lots located at Villa Josefina Resort Village, Dumoy, Toril, Davao City and St. Joseph Homes Subdivision, Sirawan, Toril, Davao City with a total aggregate area of 27,936 square meters more or less for a total consideration of ₱80 million payable in twenty (20) equal quarterly amortizations with fixed interest at the rate of five percent (5%) per annum.

On December 20, 2016, the Parent Company has settled all its remaining balance on the principal of the installment contract. This settlement has terminated or ceased all future amortizations or quarterly payment transactions.

The outstanding balance of the installment contract payable amounted to NIL and ₱49,342,686 as at December 31, 2016 and 2015, respectively.

Total finance costs charged to operations amounted to ₱1,728,081 and ₱290,727 for the years ended December 31, 2016 and 2015, respectively (see Note 26).

19. SHORT-TERM DEBTS

Short-term debts consist of:

PGI

In 2015, PGI obtained various short-term debts from a local bank with an aggregate amount of ₱220 million at an average interest rate of 5.55% to 5.75% per annum for a period of ninety (90) days. As at December 31, 2015, the Company has no remaining short-term debts as all have been settled and paid in full.

In 2016, PGI obtained various short-term debts from local banks with an aggregate amount of ₱500 million at an average interest rate of 5.00% to 5.26% per annum. These are generally termed for ninety (90) days to one (1) year.

OOC

In 2016, OOC obtained short-term debts from a local bank amounting to ₱100 million at an interest rate of 5.00% per annum.

Any new repriced interest rates that may be imposed by the bank for the relevant interest period shall be binding and conclusive, unless otherwise objected by the Group through a written advise. In the event the Group subsequently rejects any of the repriced interest rates computed by the bank or any new repriced interest rate agreed upon, the bank shall have the option to charge interest on the loan based on the last agreed rate computed from the end of the immediately preceding interest period until a new repriced interest rate is agreed upon or to immediately demand payment of the entire balance of the loan, which shall be considered immediately due, payable and defaulted. A thirty-six percent (36%) penalty per annum will be charged for all amounts due and unpaid.

Total interest incurred charged to operations amounted to ₱4 million and ₱4.40 million for the years ended December 31, 2016 and 2015, respectively (see Note 26).

20. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

On November 25, 2016, the Board of Directors (BOD) of the Parent Company approved a resolution authorizing the increase of authorized capital stock from ₱2 billion to ₱2.24 billion or an increase of ₱240 million with par value of ₱1 per share.

On December 7, 2016, the BOD approved a resolution for the placing and subscription transaction of 24,500,000 shares of the Parent Company for a total subscription value of ₱122,500,000. The Parent Company received the ₱122,500,000 subscription value on December 13, 2016 and it was taken up as “Deposit for future stock subscription” in the consolidated statements of financial position. The Parent Company has agreed to issue such number of shares upon approval of the increase in its capital stock by the Securities and Exchange Commission and it will eventually be applied for listing with the Philippine Stock Exchange (PSE).

On December 21, 2016, the BOD approved a resolution authorizing the increase in authorized capital stock by ₱98 million, amending its previous resolution increasing by ₱240 million dated November 25, 2016.

On February 2, 2017, the stockholders approved and ratified the resolution of the BOD dated December 7, 2016 (a) the amendment of article seventh of the articles of incorporation to increase the Parent Company’s authorized capital stock from ₱2 billion divided into 2 billion shares with par value of ₱1 per share to ₱2.098 billion divided into 2.098 billion shares with par value of ₱1 per share (b) approving the placing and subscription transaction where: (i) Josefina Multi-Ventures Corporation sold 24,500,000 shares at the selling price of ₱5 per share through the facilities of PSE, (ii) the proceeds of the sale will be used to subscribe to 24,500,000 shares out of the increase in the capital stock of the Parent Company, (iii) the subscription price is ₱5 per share or a total subscription price of ₱122,500,000, and, (iv) the shares issued will eventually be applied for listing with the PSE.

21. CAPITAL STOCK

Details of this account are as follows:

	2016	2015
Common stock – ₱1 par value		
Authorized – 2,000,000,000 common shares	**₱ 2,000,000,000**	₱ 2,000,000,000
Issued – 1,998,750,000 common shares	**₱ 1,998,750,000**	₱ 1,998,750,000
Subscribed – 1,250,000 common shares	**1,250,000**	1,250,000
Total	**₱ 2,000,000,000**	₱ 2,000,000,000

Track record of the Parent Company

The Parent Company was incorporated on September 7, 1989 with an authorized capital stock of ₱1,000,000,000 divided into 600,000,000 shares of Class A common stock with the par value of ₱1.00 per share and 400,000,000 shares of Class B common stock with the par value of ₱1.00 per share. On March 30, 1990, it obtained the SEC's approval of the registration of its capital stock for sale to the public and on October 29, 1991, 150,000,000 of its Class 'A' shares were listed at the Makati Stock Exchange at the issue/offer price of ₱1.00 per share and 50,000,000 of its Class 'B' shares were likewise so listed at the same issue/offer price of ₱1.00 per share. On March 21, 1994, the SEC approved the declassification of the Parent Company's capital stock made through an amendment of the Articles of Incorporation. Thus, the Parent Company's capital stock stood at ₱1,000,000,000 divided into 1,000,000,000 common shares with the par value of ₱1.00 per share.

On July 31, 1996, the SEC approved the increase in the capital stock of the Parent Company from ₱1,000,000,000 divided into 1,000,000,000 shares with the par value of ₱1.00 per share to ₱2,000,000,000 divided into 2,000,000,000 shares with the par value of ₱1.00 per share.

The Parent Company's shares are listed in the Philippine Stock Exchange (PSE). As at December 31, 2016 and 2015, the Parent Company's stock price amounted to ₱5 and ₱2.38 per share, respectively.

As at December 31, 2016 and 2015, the Parent Company's capital stock is fully subscribed and has 369 equity holders.

Treasury stock

In 2015, PGI acquired 47,058,543 of the Parent Company shares through acquisition with the Philippine Stock Exchange (PSE). The total amount paid to acquire the shares, net of income tax, was ₱10,352,879 and is presented as a deduction in the consolidated statements of changes in equity as "Treasury stock". In 2016, PGI reissued the shares of the Parent Company.

22. RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, has transactions with related parties. The following are the specific relationship, amount of transaction, account balances, the terms and conditions and the nature of the consideration to be provided in settlement.

Relationships

Related parties	Relationship
Pryce Plans, Inc. (PPI)	Under common control
Pryce Finance and Leasing Corporation (PFLC)	Under common control
Mindanao Gardens, Inc. (MGI)	Under common control
Central Luzon Oxygen and Acetylene Corporation (CLOAC)	Under common control
Hinundayan Holdings Corporation (HHC)	Under common control
Josefina Multi-Ventures Corporation (JMVC)	Under common control
Pryce Development Corporation (PDC)	Under common control
Chairman and officer (KMP)	Key management personnel

Transactions

a) The Group has unsecured non-interest bearing advances to its other related parties with no definite repayment terms and no guarantee. There are no provisions for impairment loss recognized as expense at the end of the reporting period.

The outstanding balances arising from these transactions, which are to be settled in cash, are as follows:

	Amount of transactions		Outstanding balances	
Related parties	**2016**	2015	**2016**	2015
JMVC	**₱ 26,487**	₱ -	**₱ 26,487**	₱ -
PPI	-	-	**2,800**	1,339,463
PDC	-	300,000	**-**	300,000
	₱ 26,487	₱ 300,000	**₱ 29,287**	₱ 1,639,463

b) The Group has unsecured non-interest bearing advances from its key management personnel and other related parties with no definite repayment terms and no guarantee.

The outstanding balances arising from these transactions, which are to be settled in cash, are as follows:

	Amount of transactions		Outstanding balances	
Related parties	**2016**	2015	**2016**	2015
JMVC	**₱ -**	₱ 105,731,438	**₱ 60,470,817**	₱ 121,306,101
MGI	-	30,300,583	-	136,127,550
KMP	-	-	-	49,293,300
HHC	-	34,386,126	-	34,397,617
CLOAC	-	-	-	3,675,253
PFLC	-	400,000	-	400,000
	₱ -	₱ 170,818,147	**₱ 60,470,817**	₱ 345,199,821

Josefina Multi-Ventures Corporation (JMVC)

The Parent Company’s trade creditors entered into various deed of assignments with JMVC wherein the trade creditors sold, conveyed, transferred and assigned to JMVC all of their rights and interests (including rights as mortgagees and benefits under the rehabilitation plan) to the loan obligation of the Parent Company for and in consideration of the equivalent amount of the outstanding obligation.

These assigned loan obligations to JMVC were previously presented under “Debts covered by the rehabilitation plan” account and was reclassified to “Advances from related parties” as the Parent Company’s corporate rehabilitation was terminated in 2015.

Hinundayan Holdings Corporation (HHC)

The Parent Company's LTCP holders (creditors) entered into a deed of assignment with HHC wherein the former sold, conveyed, transferred and assigned to HHC all of their rights and interests (including rights as mortgagees and benefits under the rehabilitation plan) the LTCPs issued by the Parent Company for and in consideration of the equivalent amount of the outstanding obligation.

These assigned LTCPs to HHC were previously presented under "Debts covered by the Rehabilitation Plan" account and were reclassified to "Advances from related parties" as the Parent Company's corporate rehabilitation was terminated in 2015.

This account was fully settled in December 2016.

c) The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in PAS 24, *Related party disclosures*, as follows:

	2016	2015	2014
Salaries and wages	**₱ 19,503,572**	₱ 21,273,241	₱ 12,779,990
Other benefits	**8,383,553**	4,804,982	1,199,041
	₱ 27,887,125	₱ 26,078,223	₱ 13,979,031

23. REVENUES

The details of this account are as follows:

a) Liquefied petroleum gases, industrial gases and fuels

	2016	2015	2014
LPG, cylinders, stoves and accessories:			
Content	**₱ 5,669,699,432**	₱ 4,981,554,236	₱ 4,919,482,899
Autogas	**297,774,945**	263,633,816	283,410,496
Cylinders	**160,555,227**	44,932,909	57,223,769
Stove and accessories	**5,766,664**	2,115,958	7,871,875
	6,133,796,268	5,292,236,919	5,267,989,039
Industrial gases:			
Oxygen	**282,182,066**	257,790,013	320,276,131
Acetylene	**73,530,605**	63,863,151	41,371,067
Other gases	**26,793,359**	9,816,272	29,528,017
	382,506,030	331,469,436	391,175,215
Fuel	**-**	2,186,388	8,095,220
	₱ 6,516,302,298	₱ 5,625,892,743	₱ 5,667,259,474

b) Real estate

Revenue from real estate amounted to ₱133,566,654, ₱82,141,569 and ₱627,828,997 for the years ended December 31, 2016, 2015 and 2014, respectively.

24. COST OF SALES

a) Cost of sales on LPG, industrial gases and fuels consists of:

	2016	2015	2014
LPG, cylinders, stoves and accessories:			
Direct materials	**₱ 4,236,352,198**	₱ 3,707,136,579	₱ 4,160,737,667
Freight and handling	**166,419,123**	48,072,404	53,909,772
Depreciation – note 13	**125,593,429**	133,118,291	131,554,304
Direct labor	**32,553,144**	31,998,491	45,828,735
Outside services	**23,128,240**	25,162,483	37,163,766
Rent and utilities	**17,962,069**	14,704,896	19,134,547
Repairs and maintenance	**17,642,190**	13,151,984	44,731,549
Taxes and licenses	**9,788,898**	6,837,051	5,624,466
Fuel and oil	**6,942,608**	3,408,790	5,967,748
Insurance	**5,374,143**	3,826,138	2,214,040
Others	**17,298,907**	10,640,160	45,040,846
	4,659,054,949	3,998,057,267	4,551,907,440
Industrial gases:			
Direct materials	**139,874,275**	132,787,326	154,779,449
Depreciation – notes 12 and 13	**50,517,113**	29,675,022	31,276,075
Direct labor	**10,694,858**	9,699,342	11,450,492
Freight and handling	**10,281,743**	6,958,740	284,036
Rent and utilities	**7,411,327**	7,932,938	10,343,995
Repairs and maintenance	**6,208,758**	4,842,919	11,822,321
Outside services	**4,728,232**	5,868,021	10,677,316
Taxes and licenses	**1,723,545**	1,691,633	1,369,357
Insurance	**977,096**	971,885	845,887
Others	**8,476,002**	7,385,690	4,142,668
	240,892,949	207,813,516	236,991,596
Fuels:			
Direct materials	**-**	1,824,561	7,205,678
	₱ 4,899,947,898	₱ 4,207,695,344	₱ 4,796,104,714

b) Cost of real estate amounted to ₱45,368,635, ₱16,193,785 and ₱428,274,867 for the years ended December 31, 2016, 2015 and 2014, respectively. The cost of real estate recognized in the consolidated statements of comprehensive income on disposal is determined with reference to the specific costs incurred on the property sold.

c) Cost of sales on hotel operations consists of:

		2016		2015		2014
Salaries, wages and benefits	₱	**9,895,128**	₱	10,446,994	₱	10,606,316
Supplies		**9,192,255**		6,811,729		9,553,534
Depreciation – note 12		**6,449,673**		5,944,074		6,166,191
Outside services		**5,819,411**		4,656,252		6,458,459
Utilities		**4,232,543**		2,915,646		5,302,575
Taxes and licenses		**1,957,163**		1,954,213		1,926,871
Repairs and maintenance		**492,721**		466,210		674,026
Insurance		**33,247**		27,831		38,672
Travel and transportation		**30,991**		38,305		58,241
Others		**394,871**		214,920		556,415
	₱	**38,498,003**	₱	33,476,174	₱	41,341,300

d) Cost of sales on pharmaceutical products

		2016		2015		2014
Beginning inventory – note 9	₱	**4,868,563**	₱	3,909,781	₱	-
Add: Purchases		**22,381,176**		23,205,152		-
Total good available for sale		**27,249,739**		27,114,933		-
Less: Ending inventory – note 9		**2,743,015**		4,868,563		-
	₱	**24,506,724**	₱	22,246,370	₱	-

25. OPERATING EXPENSES

This account consists of:

		2016		2015		2014
Selling expenses:						
Salaries, wages and benefits	₱	**70,736,511**	₱	68,715,389	₱	68,883,857
Freight and handling		**50,800,170**		49,370,505		25,987,980
Repairs and maintenance		**40,305,895**		38,775,830		43,391,143
Outside services		**33,294,903**		33,028,618		37,770,521
Fuel and oil		**27,854,901**		23,208,006		25,334,989
Depreciation – notes 12 and 13		**27,440,185**		24,192,136		26,037,447
Rent and utilities		**20,368,227**		20,761,814		24,165,394
Commissions		**16,590,701**		10,410,558		10,396,965
Materials and supplies		**16,392,144**		18,031,372		19,617,332
Travel and transportation		**13,629,170**		13,521,501		15,574,349
Taxes and licenses		**4,993,598**		8,594,682		6,392,182
Advertisements		**4,870,264**		3,091,598		2,928,813
Representation and entertainment		**3,289,669**		4,369,424		4,499,012
Insurance		**3,097,565**		2,500,044		1,505,399
Training and seminars		**1,241,701**		662,603		424,506
Professional fees		**922,568**		803,527		130,447
Dues and subscriptions		**905,022**		277,751		264,315
Others		**11,886,350**		11,329,928		6,406,658
		348,619,544		331,645,286		319,711,309

Forwarded

Continued	**2016**	2015	2014
General and administrative expenses:			
Salaries, wages and benefits	**₱ 108,089,053**	₱ 101,485,264	₱ 113,596,042
Depreciation – notes 12 and 13	**70,753,717**	57,979,336	43,701,280
Repairs and maintenance	**43,437,157**	44,602,357	46,777,724
Taxes and licenses	**24,402,939**	19,964,008	19,407,431
Travel and transportation	**24,177,356**	22,824,590	27,675,578
Fuel and oil	**18,275,924**	18,141,364	18,689,904
Outside services	**16,557,991**	17,607,494	18,220,894
Rent and utilities	**16,475,045**	17,049,976	27,565,631
Materials and supplies	**14,388,770**	13,868,830	24,642,821
Freight and handling	**11,306,653**	10,191,965	8,337,899
Advertisements	**10,297,763**	8,467,966	2,806,321
Insurance	**7,519,669**	7,208,174	6,224,950
Representation and entertainment	**7,444,111**	8,366,441	7,699,108
Dues and subscriptions	**5,759,252**	6,182,038	8,064,426
Professional fees	**5,605,781**	5,776,632	4,425,501
Meetings and conferences	**4,854,851**	3,854,155	3,181,077
Donation	**4,121,073**	4,431,586	1,971,017
Training and seminars	**547,208**	850,104	324,690
Provision for impairment losses	**-**	-	8,049,814
Others	**18,846,379**	18,161,170	16,282,740
	412,860,692	387,013,450	407,644,848
	₱ 761,480,236	₱ 718,658,736	₱ 727,356,157

26. FINANCE COSTS

This account consists of:

	2016	2015	2014
Importations	**₱ 23,776,306**	₱ 14,755,030	₱ 25,750,268
Debts			
Short-term – note 19	**4,035,089**	4,396,939	3,933,333
Debts covered by rehabilitation plan	**-**	1,628,495	2,228,778
Installment contract payable – note 18	**1,728,081**	290,727	10,343,518
	₱ 29,539,476	₱ 21,071,191	₱ 42,255,897

27. OTHER INCOME (NET)

This account consists of:

	2016	2015	2014
Other income:			
Gain on settlement of debts covered by rehabilitation plan	**₱ 60,835,283**	₱ 60,835,283	₱ 14,265,594
Gain on sale of financial assets at FVPL – note 7	**54,602,762**	12,680,058	11,819,511
Rental income	**5,932,365**	2,403,770	2,077,088
Dividends - note 7	**4,935,965**	4,809,722	5,380,813
Interment fees	**2,564,846**	3,276,301	3,302,922
Sale of scrap and junked materials	**2,255,779**	2,284,884	805,853
Interest income from banks – note 6	**712,279**	271,762	265,435
Unrealized foreign exchange gain – note 36	**354,955**	8,434,099	70,740
Interest income from real estate sales	**262,855**	1,181,974	527,001
Gain on sale of property	**-**	7,944	-
Realized foreign exchange gain	**-**	-	59,987
Others	**2,258,451**	14,710,982	9,040,014
	₱ 134,715,540	₱ 110,896,779	₱ 47,614,958

28. OTHER COMPREHENSIVE INCOME

	2016	2015
Remeasurement gains on retirement benefit obligation		
At beginning of year	**₱ 18,643,586**	₱ 18,643,586
Remeasurement loss during the year	**(18,114,557)**	-
Effect of deferred income tax	**5,434,367**	-
At end of year	**5,963,396**	18,643,586
Revaluation reserve		
At beginning of year	**89,321,234**	93,311,592
Appraisal increase	**2,431,468,678**	-
Deferred tax effect on revaluation reserve of the appraisal increase	**(729,440,604)**	-
Transfer of revaluation reserve deducted from operations through additional depreciation charges – note 12	**(8,373,431)**	(5,700,511)
Deferred income tax effect on revaluation reserve charged to operations through additional depreciation	**2,512,029**	1,710,153
At end of year	**1,785,487,906**	89,321,234
Total other comprehensive income	**₱ 1,791,451,302**	₱ 107,964,820

29. RETIREMENT BENEFIT OBLIGATION

The Group maintains a retirement benefit plan covering all employees on regular employment status. The retirement plan of the Group is unfunded. The plans are noncontributory defined benefit plans that provide retirement benefits equal to the following: (a) 150% of monthly final salary for every year of service rendered for the first twenty (20) years; (b) 175% of monthly final salary for every year of service rendered in excess of twenty (20) years but not more than twenty-five (25) years; and (c) 200% of monthly final salary for every year of service rendered in excess of twenty-five (25) years. The plans use the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

The plan uses the projected unit credit method of actuarial valuation in its retirement benefit cost computation.

The amounts of retirement benefit obligation recognized in the consolidated statements of financial position are the present value of the retirement benefit obligation as the retirement program is unfunded. As at December 31, 2016 and 2015, the present value of the retirement benefit obligation amounted to ₱225,851,172 and ₱208,940,564, respectively.

The Group has not yet established a formal retirement plan asset for its employees. The Group maintains unfunded defined benefit obligation as at December 31, 2016 and 2015.

The following tables summarize the components of retirement benefit expense recognized in the consolidated statements of comprehensive income:

	2016	2015
Current service cost	**₱ 22,014,037**	₱ 16,714,526
Interest cost	**9,958,225**	9,059,227
Retirement benefit expense	**₱ 31,972,262**	₱ 25,773,753

The retirement benefit expense is included in “Salaries, wages and benefits” account under general and administrative expenses in the consolidated statements of comprehensive income.

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

	2016	2015
Balance at beginning of year	**₱ 208,940,564**	₱ 190,381,718
Retirement benefit expense	**31,972,262**	25,773,753
Net actuarial loss	**18,114,557**	-
Benefits paid	**(33,176,211)**	(7,214,907)
Balance at end of year	**₱ 225,851,172**	₱ 208,940,564

No contributions were made in 2016 and 2015 inasmuch as the Group has yet to establish its retirement plan asset to fund its retirement benefit obligation.

The Group does not maintain plan assets and therefore no actual return is recognized. Benefits paid to retired employees are derived from the operational funds of the Group.

For the determination of the retirement benefit obligation, the following actuarial assumptions were used:

Parent Company

	2016	2015
Discount rate	**4.95%**	4.24%
Expected salary increase rate	**7%**	8%

PGI

	2016	2015
Discount rate	**5.16%**	5.16%
Expected salary increase rate	**8%**	8%

The discount rate as at December 31, 2016 and 2015, also called the zero yield curve was derived by applying the procedure of bootstrapping on the bonds included in the PDST-R2 Index, projected as of the valuation date. Assumptions regarding mortality experience are based on 100% of the adjusted 1985 Unisex Annuity Table and 100% of the adjusted 1952 Disability Table reflecting experience improvement and Philippine experience.

Maturity profile of undiscounted benefit payments

The maturity analysis on the Group's undiscounted benefit payments as at December 31, 2016 is as follows:

	1 to 2 Years	3 to 5 Years	6 to 9 years
Normal retirement	₱ 35,440,638	₱ 24,745,141	₱ 90,613,633

Discount rate sensitivity

Parent Company

	Change in assumptions	**Increase in assumptions**	**Amount**	**Decrease in assumptions**	**Amount**
Discount rate	1%	Decrease by 9.4%	₱ 9,304,500	Increase by 8.0%	(₱ 7,937,529)
Salary increase rate	1%	Increase by 8.1%	8,022,824	Decrease by 7.1%	(7,007,713)

PGI

	Change in assumptions	**Increase in assumptions**	**Amount**	**Decrease in assumptions**	**Amount**
Discount rate	1%	Decrease by 7.6%	(₱ 7,045,690)	Increase by 8.7%	₱ 8,077,716
Salary increase rate	1%	Increase by 7.0%	6,567,762	Decrease by 7.1%	(6,665,768)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

When calculating sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement liability recognized within the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Through its defined benefit retirement plan, the Group is exposed to a number of risks, the most significant of which are as follows:

- Changes in bond yield – a decrease in government bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The weighted average duration of the defined benefit obligation is 8.7 years and 7.1 years for the Parent Company and PGI, respectively.

30. LOSS FROM PETROLEUM EXPLORATION

On July 30, 2015, PGI entered into a Farm-In Agreement with Otto Energy Philippines, Inc. ("Operator") to acquire from the latter ten percent (10%) participating interest in Service Contract 55 (SC 55) of the Philippine Government through the Department of Energy. SC 55 covers the agreement and arrangements between a joint-venture of investors and the Philippine Government to do oil and gas exploration within a specific area of 9,880 square meters of Palawan's southwestern offshore waters, which is in the middle of a regional oil and gas fairway that extends from Borneo's productive offshore region in the southwest, to the Philippine's offshore production assets northwest of Palawan.

In consideration of said 10% participating interest which is equivalent to 10% of the well costs for the drilling and testing of the Hawkeye-1 exploration well within the SC 55, PGI paid US$3.225 million that would entitle it to a 10% of the earnings and the cost recovery pool in SC 55. An area called Hawkeye-1 was identified for drilling based on 3D seismic studies and other technical evaluations. Drilling of this well began in August 2015.

Thru information received by PGI from the Operator, the well was drilled to a planned total depth of 2,920 meters and although it was found to contain a hydrocarbon discovery, it was too small to be economically viable. The well was eventually plugged and abandoned.

After thorough consultation with the technical advisers on the drilling results of Hawkeye-1 and the non-viability of the well, PGI's Board of Directors approved the write off of its investment in joint-venture amounting to ₱113.5 million on December 16, 2015.

31. INCOME TAX

a) The components of income tax expense for the years ended December 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Current tax expense:	**₱ 202,928,993**	₱ 128,901,834	₱ 95,682,951
Deferred tax benefit on the origination and reversal of temporary differences	**(51,265,022)**	(550,987)	(1,460,964)
	₱ 151,663,971	₱ 128,350,847	₱ 94,221,987

b) A numerical reconciliation of the tax expense and the product of accounting income multiplied by the applicable tax rates follow:

	2016	2015	2014
Income before tax	**₱ 1,117,755,277**	₱ 717,411,489	₱ 391,136,995
Income tax expense at 30%	**₱ 335,326,583**	₱ 215,223,447	₱ 117,341,099
Add (deduct) tax effect of the following:			
Nontaxable income	**(36,320,699)**	(35,855,420)	(18,950,231)
Gain on sale of financial assets at FVPL	**(29,810)**	-	-
Unrealized fair value loss on financial assets at FVPL	**236,532**	-	-
Amortization of deferred tax liability on interest expense capitalized to real estate projects	**(3,059,995)**	-	-
Income on BOI-registered activities enjoying ITH	**(101,178,623)**	(93,735,610)	(12,862,983)
Applied MCIT	**-**	-	(1,482,186)
Difference in income tax method used	**243,550**	-	(817,344)
Nondeductible expenses	**7,325,457**	48,227,559	8,669,691
Depreciation on appraisal increase	**2,512,029**	1,710,153	2,236,175
Reversal and change in temporary difference	**(26,550,588)**	(9,131,401)	87,766
Change in valuation allowance on deferred tax assets	**(26,840,465)**	1,912,119	-
Reported income tax expense	**₱ 151,663,971**	₱ 128,350,847	₱ 94,221,987

c) The components of deferred tax assets and liabilities accounts in the consolidated statements of financial position are as follows:

	2016	2015
Deferred tax assets:		
Retirement benefit obligation	**₱ 67,755,351**	₱ 62,682,170
Allowance for impairment losses	**9,176,923**	9,176,923
	76,932,274	71,859,093
Valuation allowance	**(9,176,923)**	(55,319,392)
	₱ 67,755,351	₱ 16,539,701

	2016	2015
Deferred tax liabilities:		
Revaluation increment in property, plant and equipment	**₱ 765,209,101**	₱ 38,280,528
Interest expense capitalized to property, plant and equipment and real estate projects	**24,479,956**	27,539,950
Unrealized foreign exchange gain	**106,487**	2,530,230
	₱ 789,795,544	₱ 68,350,708

As at end of the reporting period, one of the LPG terminals and refilling plant operation is enjoying ITH (see Note 1). While, income on other LPG terminal and refilling plant operations, upon which ITH has expired, is subject to MCIT of 2% based on gross profit when it is greater than the regular corporate income tax (RCIT) of 30% or when the Group has zero or negative taxable income. The excess of MCIT over RCIT shall be carried forward and credited against RCIT for the three immediately succeeding taxable years. The current income tax expense in 2016 and 2015 as shown in the consolidated statements of comprehensive income both represent the RCIT.

32. EARNINGS PER SHARE

Earnings per share are computed based on the weighted average number of common shares outstanding during the year. The number of shares used to compute basic earnings per share were 2,000,000,000 in 2016 and 1,952,941,457 in 2015.

	2016	2015	2014
Net income	**₱ 953,411,116**	₱ 589,060,642	₱ 296,915,008
Weighted average number of common shares	**2,000,000,000**	1,952,941,457	2,000,000,000
	₱ 0.477	₱ 0.302	₱ 0.148

33. FAIR VALUE GAIN ON TRANSFERRED REAL ESTATE PROPERTIES THRU DACION EN PAGO COVERED BY THE REHABILITIATION PLAN

In 2004, the Parent Company transferred real estate properties to PGI its subsidiary, in exchange for PGI's shares of stock as capital/ equity contribution. The application for the increase in capital stock to ₱2.1 billion by PGI was approved by the SEC on June 30, 2004. Furthermore, the BIR issued a certification on November 5, 2004 and December 29, 2004 certifying the transferred real estate properties in exchange for shares of stock is a tax free exchange.

PGI recognized the transferred real estate properties from Parent Company based on the par value of its capital stock issued to the Parent Company, which is equivalent to the fair values of the real estate properties transferred based on Court Order issued by the Regional Trial Court.

The Parent Company recognized the real estate properties transferred to PGI as equity contribution at cost (carrying amount) instead of fair value of the asset given up as required under PFRS 3, Business Combination. This was a case of an extremely rare circumstance in which management concludes that compliance with a requirement in PFRS would be so misleading that it would conflict with the objectives of financial statements set out in the Framework. Because of this circumstance, the management of the Parent Company reduced the perceived misleading aspects of compliance by complying with the following disclosures.
The Parent Company's management decided to use the carrying value (cost of the real estate properties transferred to PGI) mainly due to the following reasons:

i) Both the Parent Company and subsidiary are under rehabilitation and the basis for the measurement of the real estate properties transferred was based on Court Order by the Regional Trial Court handling the rehabilitation and not on the basis of the parties involved;
ii) At the time of transfer, PGI's net asset carrying amounts was below the par value per share of its shares of stock due to its continued losses which resulted to a deficit amounting to ₱989,836,714 as at December 31, 2004. The fair value recognition on the transfer of Parent Company's real estate properties to PGI in exchange of PGI's shares of stock in the Parent Company's books and records would result to:

    - Recognition of a substantial amount of unrealized fair value gain on real estate properties; and

    - Overvalued carrying amount of its investment in subsidiary (PGI) because of the continued losses incurred by PGI that reduces the net carrying amounts of PGI's net assets.

<u>PGI real estate properties transferred to creditors by way of dacion en pago covered by the rehabilitation plan</u>

In 2005 and 2004, PGI transferred significant portion of the above real estate properties to its creditors by way of dacion en pago based on fair values as determined in the Court Order issued by the Regional Trial Court on the rehabilitation plan of PGI. The difference between the fair value and cost (as reported in the books and records by the parent company) of these transferred properties amounted to ₱129 million in 2005 and ₱902 million in 2004 or an aggregate amount of ₱1.03 billion. Subsequent to 2005, there was no real estate properties of PGI transferred to creditors by way of dacion en pago.

The ₱1.03 billion as at December 31, 2016 and 2015 represents the net difference between the fair value and the related cost the parent company's real estate properties transferred to PGI creditors in settlement of its debts covered by the rehabilitation plan. This amount was arrived at in the elimination process of intercompany account balances and such difference was accounted for as "Fair value gain on real estate properties" account and presented under equity section in the consolidated statements of financial position.

<u>Effect of Parent Company's recognition of real estate properties transferred to PGI at cost</u>

Had the Parent Company applied the fair value method of accounting on the recognition of its transferred real estate properties to PGI, the fair value gain on real estate properties should have been recognized as income and reduces the consolidated retained earnings (deficit) as at December 31, 2016 and 2015 by ₱1.03 billion.

34. OPERATING BUSINESS SEGMENTS

The Group's reportable segments consist of: (1) real estate; (2) LPG, industrial gases and fuels and (3) pharmaceutical products, which the Group operates and manages as strategic business units and organize by products and services.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Segment operating assets consist principally of operating cash, receivables and inventories, net of any allowance for impairment in value, while segment liabilities include all operating liabilities and consist principally of trade payables and other payables.

The Group's segment information is as follows:

	Real estate			LPG, Industrial gases and Fuels			Pharmaceutical products	
	2016	2015	2014	**2016**	2015	2014	**2016**	2015
	(amounts in millions)							
Revenue from external customers	**₱ 171**	₱ 117	₱ 666	**₱ 6,516**	₱ 5,626	₱ 5,667	**₱ 35**	₱ 30
Results								
Income before tax	**₱ 95**	₱ 92	₱ 125	**₱ 1,022**	₱ 624	₱ 266	**₱ 0.8**	₱ 1
Income tax expense	**(0.4)**	(28)	(38)	**(151)**	(100)	(56)	**0.2**	(0.4)
Net income for the year	**95**	65	87	**871**	524	210	**0.6**	1
Other information:								
Segment assets	**₱ 1,512**	₱ 730	₱ 749	**₱ 6,837**	₱ 4,054	₱ 4,326	**₱ 19**	₱ 17
Segment liabilities	**547**	344	354	**1,641**	981	1,124	**10**	9
Capital expenditures	**2**	5	77	**623**	599	208	**-**	0.7
Depreciation	**24**	18	9	**257**	233	230	**0.3**	0.2

35. OPERATING LEASE AGREEMENTS

PGI has entered in various operating lease agreements for its Visayas and Mindanao sales offices with various local companies for a period of one (1) year renewable thereafter upon mutual agreement of both parties.

Total rent charged to operations in 2016 and 2015 amounted to ₱11.38 million and ₱11.08 million included as part of "Cost of sales" and "Operating expenses" accounts, in the consolidated statements of comprehensive income.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and financing activities. The Group's risk management is in the Board of Directors (BOD), and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below:

- *Foreign currency risk*

  The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise with respect to transactions denominated in US Dollars. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Significant fluctuation in the exchange rates could significantly affect the Group's financial position.

  The Group monitors the movement of foreign exchange rates to avoid significant effect on its operations.

  The foreign currency denominated monetary assets and liabilities and their translated functional currency equivalents are as follows:

	2016		2015	
	US Dollar	**PH Peso**	US Dollar	PH Peso
Asset				
Cash	**15,940**	**794,038**	102,040	4,812,836
Liability				
Trade payables	**901,878**	**44,925,247**	6,421,158	302,860,340
Net amount	**(885,938)**	**(44,131,209)**	(6,319,118)	(298,047,504)

  The foreign currency exchange rates used for US Dollar (US$) to Peso were ₱49.813 in 2016 and ₱47.166 in 2015. As a result of translating these foreign currency denominated balances, the Group reported a net unrealized foreign currency translation gain of ₱0.3 million in 2016 and ₱8.4 million in 2015, presented as part of "Other income (net)" account in the consolidated statements of comprehensive income.

  Though foreign exchange gains and losses are recognized for such transactions and for translation of monetary assets and liabilities, the Group is periodically monitoring the movements of foreign exchange rates so as not to significantly affect its operations.

Foreign currency risk sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in US dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's cash and trade payables before income tax as at December 31, 2016 and 2015 (due to the changes in the fair value of monetary assets and liabilities).

	Appreciation (Depreciation) of PHP	Effect in Income Before Tax
2016	**1.50**	**(₱ 1,330,495)**
	1.00	**(886,997)**
	(1.50)	**1,330,495**
	(1.00)	**886,997**
2015	1.50	(₱ 9,478,677)
	1.00	(6,319,118)
	(1.50)	9,478,677
	(1.00)	6,319,118

- *Credit risk*

Generally, the maximum credit risk exposure of financial assets is the carrying amount of financial assets as shown in the face of consolidated statements of financial position.

Credit risk exposure

The Group’s trade and other receivables are actively monitored to avoid significant concentration of credit risk. The maximum amount of exposure to credit risk as at December 31, 2016 and 2015 are as follows:

	2016	2015
Cash in banks (excluding cash on hand)	**₱ 578,626,051**	₱ 297,581,785
Trade and other receivables	**335,136,056**	362,983,279
Advances to related parties	**29,287**	1,639,463
	₱ 913,791,394	₱ 662,204,527

*Excluding cash on hand in the amount of ₱49,436,990 and ₱32,408,979 as at December 31, 2016 and 2015, respectively.

Credit quality information

As at December 31, 2016 and 2015, the credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and areas.

Based on historical information about customer default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. The Group classifies advances to related parties as neither past due nor impaired. Advances to related parties generally have no specific credit terms. The Group does not hold any collateral as security on these receivables.

The management continues to review advances to related parties for any legally enforceable right to offset with liabilities with the expressed intention of the borrower related parties to settle on a net basis.

The credit quality of financial assets is being managed by the Group using internal credit ratings. The following tables below shows the credit quality of neither past due nor impaired accounts by class of financial assets based on the Group's credit rating system:

As at December 31, 2016

	Cash	Trade and other receivables	Advances to related parties	Total
Neither past due nor impaired	**₱ 578,626,051**	**₱ 235,115,126**	**₱ -**	**₱ 813,741,177**
Past due but not impaired				
Less than 30 days	**-**	**9,315,890**	**-**	**9,315,890**
30 days and over	**-**	**90,705,040**	**29,287**	**90,734,327**
Impaired	**-**	**30,589,742**	**-**	**30,589,742**
Allowance	**-**	**30,589,742)**	**-**	**30,589,742)**
	₱ 578,626,051	**₱ 335,136,056**	**₱ 29,287**	**₱ 913,791,394**

As at December 31, 2015

	Cash	Trade and other receivables	Advances to related parties	Total
Neither past due nor impaired	₱ 297,581,785	₱ 287,737,614	₱ 1,639,463	₱ 586,958,862
Past due but not impaired				
Less than 30 days	-	43,339,642	-	43,339,642
30 days and over	-	31,906,023	-	31,906,023
Impaired	-	30,589,742	-	30,589,742
Allowance	-	(30,589,742)	-	(30,589,742)
	₱ 297,581,785	₱ 362,983,279	₱ 1,639,463	₱ 662,204,527

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet operating capital requirements. The Group aims to maintain flexibility in funding through an efficient collection of its receivables and from the continuous financial assistance extended by its related parties in the form of loans and advances.

Presented in this table is the maturity profile of Group's financial liabilities based on contractual undiscounted payments:

As at December 31, 2016

	Total carrying value	**Contractual undiscounted payments**			
		On demand	**Less than 1 year**	**1 – 5 years**	**More than 5 years**
Trade and other payables*	**₱ 447,633,124**	**₱ 318,053,269**	**₱ 1,547,375**	**₱ 128,032,480**	**₱ -**
Installment contracts payable	**-**	**-**	**-**	**-**	**-**
Advances from related parties	**60,470,817**	**-**	**-**	**60,470,817**	**-**
Total	**₱ 508,103,941**	**₱ 318,053,269**	**₱ 1,547,375**	**₱ 188,503,297**	**₱ -**

As at December 31, 2015

	Total carrying value	Contractual undiscounted payments			
		On demand	Less than 1 year	1 – 5 years	More than 5 years
Trade and other payables*	₱ 1,118,337,547	₱ 921,191,968	₱ 1,440,000	₱ 195,705,579	₱ -
Installment contracts payable	49,342,686	-	13,233,575	36,109,111	-
Advances from related parties	345,199,821	-	-	345,199,821	-
Total	₱ 1,512,880,054	₱ 921,191,968	₱ 14,673,575	₱ 577,014,511	₱ -

**Trade and other payables exclude amount payable to government agencies amounting to ₱22,095,047 and ₱25,343,177 as at December 31, 2016 and 2015, respectively.*

- *Price risk*

  This is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

  The Group is exposed to such risk because of its equity securities classified as financial assets at FVPL. The Group is continuously monitoring the market prices of these securities.

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
2016	**100**	**(₱30,071,644)**
	50	**(15,035,822)**
	(100)	**30,071,644**
	(50)	**15,035,822**
2015	100	(₱26,754,406)
	50	(13,377,203)
	(100)	26,754,406
	(50)	13,377,203

- *Interest rate risk*

The Group's exposure to interest rate risk relates primarily to the Parent Company and PGI's financial instruments with floating interest rate. Floating rate of financial instruments are subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the PGI and OOC's short-term debts in 2016 and Parent Company's installment contracts payable in 2015.The impact on the Group's equity is immaterial.

	Increase (Decrease) in Basis Points	Effect in Income After Tax
2016	**100**	**(₱ 40,250,000)**
	50	**(20,125,000)**
	(100)	**40,250,000**
	(50)	**20,125,000**
2015	100	(₱ 3,453,988)
	50	(1,726,994)
	(100)	3,453,988
	(50)	1,726,994

The following table sets out the carrying amounts, by maturity, of the Company's financial instruments as at December 31, 2016 that are exposed to interest rate risks:

	Interest rates	Within 1 Year	Within 1-2 Years	Within 2-5 Years	More than 5 years	Total
Year 2016 Variable rate Borrowings	**5.00% to 5.26%**	**₱ 575,000,000**	**₱ -**	**₱ -**	**₱ -**	**₱ 575,000,000**
Year 2015 Variable rate Borrowings	5.00%	₱ 49,342,686	₱ -	₱ -	₱ -	₱ 49,342,686

37. CAPITAL RISK OBJECTIVE AND MANAGEMENT

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The capital that the Group manages includes all components of its equity as shown in the consolidated statements of financial position.

The Group monitors its capital gearing by measuring the ratio of interest-bearing debt to total capital and net interest-bearing debt to total capital. Interest-bearing debt includes all short term and long term debt while net interest-bearing debt includes all short term and long term debt net of cash and financial assets at FVPL.

The equity ratios as at December 31 are as follows:

	2016	2015
Total equity (a)	**₱ 6,092,978,181**	₱ 3,424,674,083
Total assets (b)	**8,604,002,374**	5,424,790,756
Equity ratio (a/b)	**71%**	63%

38. FAIR VALUE INFORMATION

Assets measured at fair value

The following table gives information about how the fair values of the Group's assets, which are measured at fair value at the end of each reporting period, are determined (in particular, the valuation technique(s) and inputs used).

	Fair value as at December 31		Fair value hierarchy	Valuation techniques
	2016	2015		
Financial assets at FVPL	**₱ 429,594,914**	₱ 382,205,805	Level 1	Quoted prices in an active market

Assets and liabilities not measured at fair value but fair values are disclosed

The following gives information about how the fair values of the Group's assets and liabilities, which are not measured at fair value but the fair values are disclosed at the end of each reporting.

i. Due to the short-term maturities of cash, trade and other receivables, trade and other payables, short-term debts, and installment contracts payable, their carrying amounts approximate their fair values.

ii. The carrying amount and fair value of the categories of noncurrent financial and non-financial assets and financial liabilities presented in the consolidated statements of financial position are shown on the as follows:

	2016		2015			
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Fair value hierarchy	Input used
Assets						
Advances to related parties	**₱ 29,287**	**₱ 24,820**	₱ 1,639,463	₱ 1,393,018	Level 3	(b)
Investment properties	**109,957,888**	**109,957,888**	109,957,888	109,957,888	Level 2	(a)
	109,987,175	**109,982,708**	111,597,351	111,350,906		
Liability						
Advances from related parties	**₱ 60,470,817**	**₱ 51,248,173**	₱ 345,199,821	₱ 293,309,135	Level 3	(b)

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

(a) The fair value is determined by applying the market comparison approach. The valuation model is based on the market price of comparable real estate properties in the area in which the Group's investment properties are located.

(b) Advances to and from related parties

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Significant unobservable input	Relationship of unfavorable inputs
Discounted cash flows are determined by reference to prevailing market lending rate at 5.671% in 2016 and 5.580% in 2015.	The higher the discount rate, the lower the fair value.

The table below shows the sensitivity analysis of the above unobservable inputs to the valuation model to the carrying amount of the due to and from related parties as at December 31, 2016 and 2015:

		Increase (Decrease) in carrying amount	
	Change in Unobservable Input to Valuation Model	Advances from related party	Advances to related parties
2016	**0.05%**	**(₱ 72,678)**	**(₱ 35)**
	-0.05%	**72,816**	**35**
2015	0.05%	(₱ 416,317)	(₱ 1,977)
	-0.05%	417,106	1981

There has been no transfer from one fair value hierarchy level to another.

39. NON-CASH TRANSACTIONS

Non-cash activities consist of:

	2016	2015	2014
Investing activity:			
Additions to property, plant and equipment	₱ -	₱ 1,143,382	₱ 84,821,427
Financing activity:			
Settlement of debts for dacion en pago covered by the Rehabilitation Plan	-	124,731,801	-
	₱ -	₱ 125,875,183	₱ 84,821,427

* * *

Diaz Murillo Dalupan and Company
Certified Public Accountants

Statement Required by Rule 68, Part I, Section 4,
Securities Regulation Code (SRC),
As Amended on October 20, 2011

To the Board of Directors and Stockholders of
PRYCE CORPORATION AND SUBSIDIARIES
17th Floor Pryce Center, 1179 Don Chino Roces Avenue
cor. Bagtikan Street, Makati City

We have audited the accompanying financial statements of **Pryce Corporation and Subsidiaries** as at and for the year ended December 31, 2016, on which we have rendered the attached report dated April 11, 2017. The supplementary information shown in **Annexes "A" to "C"** and **Schedules "A" to "H"**, as additional component required by Rule 68, Part I, Section 4 of the Securities Regulation Code, is presented for purposes of filing with the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and has been subjected to auditing procedures applied in the audits of basic financial statements. In our opinion, the information has been prepared in accordance with Rule 68 of the Securities Regulation Code.

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

By:

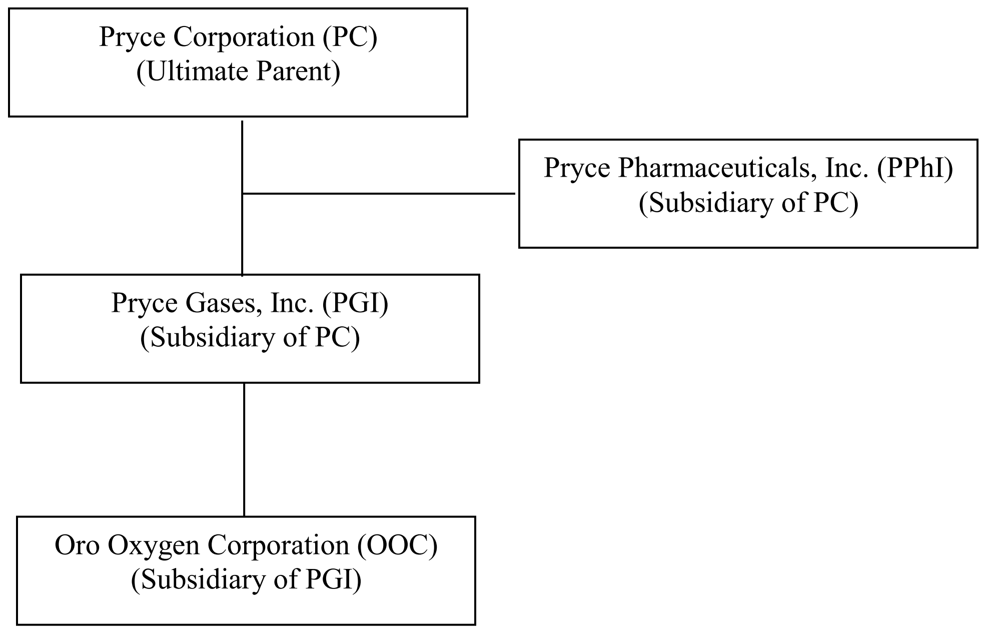
Jozel Francisco C. Santos, Jr.
Partner
CPA Certificate No. 89044
SEC Accreditation No. 1070-AR-1, Group A, effective until April 30, 2017
Tax Identification No. 170-035-673
PTR No. 5918243, January 10, 2017, Makati City
BIR Accreditation No. 08-001911-009-2016 effective until March 17, 2019

April 11, 2017

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "A" - FINANCIAL SOUNDNESS
DECEMBER 31, 2016

	2016	**2015**
Profitability ratios:		
Return on assets	**16.36%**	13.68%
Return on equity	**25.68%**	25.39%
Net profit margin	**16.63%**	12.43%
Solvency and liquidity ratios:		
Current ratio	**2.210**	1.880
Debt to equity ratio	**0.440**	0.630
Financial leverage ratio:		
Asset to equity ratio	**1.490**	1.710
Debt to asset ratio	**0.290**	0.370
Interest rate coverage ratio	**38.84**	35.05

PRYCE CORPORATION AND SUBSIDIARIES
ANNEX "B" – MAP OF CONGLOMERATE OR GROUP
OF COMPANIES WITHIN WHICH THE COMPANY BELONGS
DECEMBER 31, 2016



"Annex C"

PRYCE CORPORATION AND SUBSIDIARIES
DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Financial Assets			
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9 (2014)	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19 - Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Instruments			
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Not Applicable – Standards and interpretations that are effective as at January 1, 2016 but will never be applicable to the Company due to the nature of its operations or not relevant to the Company because there are currently no related transactions.

Not Adopted – Standards and interpretations that are already issued but are not effective for the year ended December 31, 2016 and were not early adopted by the Company.

Please refer to Note 4 to the financial statements for related discussion on the assessed impact on the Company's financial statements on the adoption of new standards and interpretations effective in 2016 including standards effective in 2016 and onwards.

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE A – FINANCIAL ASSETS
DECEMBER 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end of reporting period	Income received and accrued
Top Frontier	800,509	₱ 209,733,358	₱ 209,733,358	₱ -
San Miguel Corporation	1,212,421	111,906,458	111,906,458	-
Rizal Commercial Banking Corporation	1,163,200	39,025,360	39,025,360	-
Purefoods	142,841	32,996,271	32,996,271	-
Global Estate Res	13,687,000	13,687,000	13,687,000	-
First Philippine Holdings	113,500	7,706,650	7,706,650	-
Phinma Corporation	623,480	7,357,064	7,357,064	-
Ginebra San Miguel	565,250	7,178,675	7,178,675	-
Swift Foods	20,000	2,800	2,800	-
Alliance Global Group	100	1,278	1,278	-
Total	18,328,301	₱ 429,594,914	₱ 429,594,914	₱ -

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016

Name of debtor	Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
1.Deguit, Ethelbert	Officer	₱ 92,324	₱ 1,045,296	₱ 137,054	₱ -	₱ 1,000,566	₱ -	₱ 1,000,566
2.Dy, Carlitos	Officer	798,553	586,391	456,418	-	144,900	783,626	928,526
3.Villegas, Franz Jonas	Officer	-	1,076,735	364,728	-	712,007	-	712,007
4. Palma, Efren	Officer	928,936	-	254,653	-	206,804	467,479	674,283
5.Magallano, Joedim	Officer	102,284	595,604	98,336	-	94,934	504,618	599,552
6. Escano, Rafael	Officer	897,754	-	316,166	-	311,666	269,922	581,588
7.Competente, Roque	Officer	813,240	-	256,580	-	155,347	401,313	556,660
8. Sulatre, Alexis	Officer	834,202	-	310,175	-	224,390	299,637	524,027
9. Abuyog, Rudy	Officer	1,238,518	-	717,318	-	224,400	296,800	521,200
10. Paasa, Christy Ann	Officer	491,932	343,516	330,412	-	402,922	102,114	505,036
11.Lim, Jose Angelo	Officer	73,514	916,838	495,695	-	494,657	-	494,657
12. Encabo Erica	Officer	599,728	8,714	155,347	-	155,346	297,749	453,095
13. Hatud, Feliciano	Officer	438,469	144,082	155,347	-	155,346	271,858	427,204
14. Villanueva, Raul	Officer	622,561	-	204,467	-	190,000	228,094	418,094
15. Angcos, Agnes	Officer	544,315	-	161,084	-	155,347	227,884	383,231
16.Aguadera, Jonax	Officer	1,282,545	12,502	940,862	-	354,185	-	354,185
17. Ramis, Frecil	Officer	480,601	-	128,553	-	120,825	231,223	352,048
18. Gubalani, Concepcion	Officer	470,200	-	127,861	-	120,825	221,514	342,339
19. Mosquera, Leo	Officer	470,200	-	127,861	-	120,825	221,514	342,339
20. Gomez, Roger	Officer	469,374	-	127,035	-	128,137	214,202	342,339
21. Gaid, Carmeli	Officer	729,668	-	422,326	-	92,172	215,170	307,342
22. Martin, Emiliano	Officer	414,222	-	150,101	-	120,826	143,295	264,121
23. Delima, Robin	Officer	307,412	-	81,976	-	81,977	143,459	225,436
24. Isog, Reynante	Staff	-	222,909	792	-	222,117	-	222,117
25. Logronio, Lucito	Staff	168,459	24,816	8,882	-	168,459	15,934	184,393
26.Melendez, Archie	Staff	34,982	147,235	737	-	181,480	-	181,480
27. Trazo, Benjie	Staff	203,097	-	28,266	-	174,831	-	174,831
28. Sarraga, Darwin	Officer	500,689	-	356,042	-	119,521	25,126	144,647
29. Narido, Lean	Staff	179,531	34,909	69,802	-	144,638	-	144,638
30.Lumahang, Jimmy	Staff	40,815	109,624	14,886	-	135,553	-	135,553
31.Pacheco, Ariel	Staff	23,860	112,114	10,310	-	125,664	-	125,664
33.Arevalo, Juniffer	Staff	1,549	192,060	78,305	-	115,304	-	115,304
32. Pagunsan, Ernesto	Officer	1,408,187	120,325	1,415,207	-	113,305	-	113,305
34. Others*	below 100k balances	19,918,264	5,431,078	7,938,635	-	12,115,559	5,295,148.00	17,410,707
TOTAL		**₱ 35,579,985**	**₱ 11,124,748**	**₱ 16,442,219**	**₱ -**	**₱ 19,384,835**	**₱ 10,877,679**	**₱ 30,262,514**

** Others represent amounts receivable from directors, officers, employees and principal stockholders with outstanding balance of ₱100,000 and below as at the end of the reporting period.*

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

Name and designation of creditor	Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-Current	Balance at end of period
Pryce Gases, Inc.	Oro Oxygen Corporation	₱ 642,819,138	₱ -	₱ 342,189,081	₱ -	₱ -	₱ 300,630,057	₱ 300,630,057
Oro Oxygen Corporation	Pryce Corporation	90,200,000	-	4,800,000	-	-	85,400,000	85,400,000
Pryce Gases, Inc.	Pryce Pharmaceuticals, Inc.	4,700,000	-	4,700,000	-	-	-	-
Pryce Corporation	Pryce Gases, Inc.	1,114,118	-	1,114,118	-	-	-	-
Pryce Gases, Inc.	Pryce Corporation	-	8,502,454	-	-	-	8,502,454	8,502,454
Pryce Pharmaceuticals, Inc.	Pryce Gases, Inc.	261,650	112,423	-	-	-	374,073	374,073
		₱ 739,094,906	₱ 8,614,877	₱ 352,803,199	₱ -	₱ -	₱ 394,906,584	₱ 394,906,584

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE D – INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Goodwill	₱ 70,668,305	₱ -	₱ -	₱ -	₱ -	₱ 70,668,305

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE E – LONG TERM DEBT
DECEMBER 31, 2016

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption “Current portion of long term debt” in related statement of financial position	Amount shown under caption “Long-term debt” in related statement of financial position
Not Applicable			

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE F – INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2016

Name of related parties	Balance at beginning of period	Balance at end of period
Josefina Multi-Ventures Corporation	₱ 121,306,101	₱ 60,470,817
Mindanao Gardens, Inc.	136,127,550	-
Hinundayan Holdings Corporation	34,397,617	-
Pio Veloso	32,766,300	-
Salvador Escaňo	16,527,000	-
Central Luzon Oxygen and Acetylene Corporation	3,675,253	-
Pryce Finance and Leasing Corporation	400,000	-
	₱ 345,199,821	₱ 60,470,817

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE G – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		Not Applicable		

PRYCE CORPORATION AND SUBSIDIARIES
SCHEDULE H – CAPITAL STOCK
DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common shares	2,000,0000,000	1,998,750,000	-	488,181,212	60,523,786	1,451,295,002

PRYCE CORPORATION (Parent Company)
Aging of Accounts Receivable
As of December 31, 2016

Type of Accounts Receivable	**Total**	1-30 days	31-90 days	91-180 days	Over 180 days	1-2 Years	3-5 years	5 Years - above	Past due accounts
a. Trade Receivables									
1. Subdivision	1,293,429	184,730	227,218	334,010	440,894	106,577	-		
2. Low-cost housing	1,343,251	300,944	235,335	304,499	327,540	174,933			
3. Memorial Parks	69,468,586	37,397,569	5,074,314	4,145,623	4,502,984	4,870,034	5,465,998		8,012,064
4. Hotel	1,517,820	1,517,820							
5. Head Office	157,585	157,585	-						
Totals	73,780,670	39,558,648	5,536,867	4,784,132	5,271,418	5,151,544	5,465,998	-	8,012,064
Less: Allow. For Doubtful Acct.	7,415,618								7,415,618
Sub Total	*66,365,052*	*39,558,648*	*5,536,867*	*4,784,132*	*5,271,418*	*5,151,544*	*5,465,998*	-	*596,446*
b. Non-trade Receivables									
Advances to Officers & Employee	3,990,421	593,200	549,636						2,847,585
Advances to Suppliers & Contrac	1,247,203	371,417	397,810						477,976
Others	2,576,965	561,130	665,282					-	1,350,552
Totals	7,814,589	1,525,747	1,612,728	-	-	-	-	-	4,676,113
Less: Allow. For Doubtful Acct.	4,612,551								4,612,551
Sub Total	*3,202,038*	*1,525,747*	*1,612,728*	-	-	-	-	-	*63,562*
Grand Total	*69,567,090*	*41,084,395*	*7,149,595*	*4,784,132*	*5,271,418*	*5,151,544*	*5,465,998*	-	*660,008*

Accounts Receivable Description

Type of Receivables	Nature/Description	Collection period
1. Installment Receivables	Subdivision	1-7 years
	Low cost housing	1-15 years
	Memorial parks	1-3 years
	Condominium Office	1-5 years
	Commercial lot	1-3 years
	Hotel	1-30 days
	Head Office	1-3 months