111162017004166

# SECURITIES AND EXCHANGE COMMISSION

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Company Information

| | |
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| SEC Registration No. | 0000196206 |
| Company Name | SPLASH CORPORATION |
| Industry Classification | Wholesale Trade And Commission Trade, Except Of Motor Vehicles |
| Company Type | Stock Corporation |

**Document Information**

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|---|---|
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# COVER SHEET

AS09119620 6

SEC Registration Number

SPLASH CORPORATION
AND SUBSIDIARIES

(Company's Full Name)

5F W-OFFICE BUILDING 11TH
AVENUE CORNER 28TH STREET
BONIFACIO GLOBAL CITY
TAGUIG CITY

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

Mr. FERNANDO M. MANOTOK
(Contact Person)

(632) 491-7707
(Company Telephone Number)

12 31
*Month* *Day*
(Fiscal Year)

17-Q
(Form Type)

05 26
*Month* *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, if applicable)

Dept. requiring this document

Total Amount of Borrowings

Total Number of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks : Use BLANK ink for scanning purposes

SEC Number: ASO91196206
File Number: ____

**SPLASH CORPORATION**

(Company's Full Name)

**5th Floor W-Office Building, 11th Avenue corner 28th Street,**
**Bonifacio Global City, Taguig City**

(Company Address)

**(632) 491-7707**

(Telephone Number)

**September 30, 2017**

(Quarter Ending)

**SEC Form 17-Q Quarterly Report**

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

# SEC FORM 17-Q

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

1. For the quarterly period ended: September 30, 2017

2. SEC Identification Number: ASO91196206

3. BIR Tax Identification No.: 001-096-221 VAT

4. Exact name of issuer as specified in its charter: **SPLASH CORPORATION**

5. Province, Country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. **Industry Classification Cod** ______ **SEC Use Only)**

7. Address of principal office: **5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City.** Postal Code: 1634

8. Issuer's telephone number, including area code: (632) 491-7707

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

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| **Common Shares, P1.00 Par value** | **438,862,860 shares** |

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

Yes [ ] No [X]

If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Check whether the issuer:

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

Yes [ x ] No [ ]

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

Yes [ x ] No [ ]

PART I – FINANCIAL INFORMATION

**Splash Corporation**
**(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries**
Condensed Consolidated Interim Financial Statements
September 30, 2017 and 2016 (Unaudited)
and
December 31, 2016 (Audited)

**SPLASH CORPORATION AND SUBSIDIARIES**
**(A Subsidiary of Ang·Hortaleza Corporation)**

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (Unaudited) | (Audited) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | 515,849,407 | 582,719,393 |
| Short-term investments | 1,156,544,315 | 1,155,523,165 |
| Receivables (Notes 5) | 945,364,290 | 650,482,695 |
| Inventories (Note 6) | 717,161,739 | 498,361,494 |
| Current portion of notes receivable | 225,604,577 | 225,604,577 |
| Other current assets (Notes 7) | 140,651,265 | 93,664,998 |
| **Total Current Assets** | 3,701,175,593 | 3,206,356,322 |
| **Noncurrent Assets** | | |
| Notes receivable - net of current portion | 17,595,478 | 17,775,478 |
| Property, plant and equipment (Notes 8) | 454,054,278 | 499,904,334 |
| Investment property | 110,691,159 | 110,691,159 |
| Goodwill and other intangible assets (Notes 9) | 716,711,737 | 742,881,529 |
| Available-for-sale (AFS) investments | 41,562,000 | 41,562,000 |
| Deferred income tax assets - net | 118,056,748 | 112,312,997 |
| Other noncurrent assets | 85,839,327 | 59,937,025 |
| **Total Noncurrent Assets** | 1,544,510,727 | 1,585,064,522 |
| **TOTAL ASSETS** | 5,245,686,320 | 4,791,420,844 |

| | | |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Short-term bank loans (Note 11) | 949,223,337 | 728,702,201 |
| Accounts payable and accrued expenses | 1,031,429,185 | 738,072,690 |
| Income tax payable | 141,089 | 1,523,709 |
| Long-term debt -current portion (Note 11) | 281,382,219 | 275,955,140 |
| Provisions | 34,621,117 | 28,800,000 |
| **Total Current Liabilities** | 2,296,796,946 | 1,773,053,740 |
| **Noncurrent Liabilities** | | |
| Long-term debt - net of current portion (Note 11) | 454,932,834 | 644,265,662 |
| Retirement benefits liabilities - net | 184,194,347 | 163,186,086 |
| Deferred income tax liability | 32,700,000 | 32,700,000 |
| **Total Noncurrent Liabilities** | 671,827,181 | 840,151,748 |
| **Total Liabilities** | 2,968,624,127 | 2,613,205,488 |

(Forward)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (Unaudited) | (Audited) |
| **Equity** | | |
| Attributable to equity holders of the Company: | | |
| Capital stock | 746,160,357 | 746,160,357 |
| Additional paid-in capital | 1,635,776,027 | 1,635,776,027 |
| Unrealized valuation gain on AFS investments | 25,750,100 | 25,750,100 |
| Cumulative translation adjustments | (102,066,312) | (104,465,792) |
| Remeasurement loss on defined benefit plan | (17,618,622) | (17,618,622) |
| Equity reserve | (20,820,461) | (20,820,461) |
| Retained earnings | 910,231,633 | 808,983,458 |
| Treasury stock | (912,241,974) | (908,710,013) |
| | 2,265,170,748 | 2,165,055,054 |
| Non-controlling interests | 11,891,445 | 13,160,302 |
| **Total Equity** | 2,277,062,192 | 2,178,215,356 |
| **TOTAL LIABILITIES AND EQUITY** | 5,245,686,320 | 4,791,420,844 |

## SPLASH CORPORATION AND SUBSIDIARIES

**(A Subsidiary of Ang·Hortaleza Corporation)**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

**For the nine months ended September 30**

| | For the Nine Months Ended September 30 | | For the Quarter Ended September 30 | |
|---|---|---|---|---|
| | 2017 (Unaudited) | 2016 (Unaudited) | 2017 (Unaudited) | 2016 (Unaudited) |
| NET SALES | | | | |
| Sale of goods | 3,105,663,302 | 2,994,275,353 | 1,044,781,711 | 955,609,678 |
| Sale of services | 54,247,883 | 44,098,414 | 17,710,313 | 22,061,854 |
| | 3,159,911,185 | 3,038,373,767 | 1,062,492,024 | 977,671,532 |
| COST OF GOODS SOLD AND SERVICES | | | | |
| Cost of goods | (1,246,374,327) | (1,180,459,984) | (392,272,007) | (396,867,772) |
| Cost of services | (46,895,616) | (36,406,357) | (15,517,747) | (16,945,622) |
| | (1,293,269,944) | (1,216,866,341) | (407,789,754) | (413,813,394) |
| GROSS PROFIT | 1,866,641,242 | 1,821,507,426 | 654,702,270 | 563,858,138 |
| SELLING EXPENSES | (1,159,173,807) | (1,184,262,833) | (459,146,963) | (356,099,828) |
| GENERAL AND ADMINISTRATIVE EXPENSES | (473,494,973) | (474,773,252) | (143,841,652) | (167,693,362) |
| INTEREST INCOME | 45,344,876 | 30,741,266 | 15,937,202 | 11,754,260 |
| INTEREST EXPENSE | (64,497,780) | (48,640,100) | (24,011,839) | (28,224,660) |
| OTHER CHARGES | (46,139,086) | 5,756,547 | 6,351,236 | 11,067,666 |
| INCOME BEFORE INCOME TAX | 168,680,472 | 150,329,054 | 49,990,254 | 34,662,214 |
| PROVISION FOR INCOME TAX | | | | |
| Current | (12,963,467) | (23,036,717) | 11,162,684 | (12,421,938) |
| Deferred | 5,728,314 | (5,401,918) | 0 | 812,007 |
| | (7,235,154) | (28,438,635) | 11,162,684 | (11,609,931) |
| NET INCOME FOR THE PERIOD | 161,445,318 | 121,890,419 | 61,152,938 | 23,052,283 |
| Net income attributable to: | | | | |
| Equity holders of the Company | 162,714,176 | 124,542,756 | 61,467,017 | 24,974,028 |
| Non-controlling interest | (1,268,858) | (2,652,337) | (314,079) | (1,921,745) |
| | 161,445,318 | 121,890,419 | 61,152,938 | 23,052,283 |
| Basic/Diluted Earnings Per Share | 0.37 | 0.21 | 0.14 | 0.04 |
| OTHER COMPREHENSIVE LOSS | | | | |
| NET INCOME FOR THE PERIOD | 161,445,318 | 121,890,419 | 61,152,938 | 23,052,283 |
| Exchange differences on translation of foreign subsidiaries | 2,399,480 | (102,709,680) | 636,728 | (6,963,750) |
| TOTAL COMPREHENSIVE INCOME | 163,844,798 | 19,180,739 | 61,789,666 | 16,088,533 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the Company | 165,113,656 | 21,833,076 | 62,103,744 | 43,383,367 |
| Non-controlling interest | (1,268,858) | (2,652,337) | (314,079) | (678,787) |
| | 163,844,798 | 19,180,739 | 61,789,666 | 42,704,580 |

## SPLASH CORPORATION AND SUBSIDIARIES
**(A Subsidiary of Ang·Hortaleza Corporation)**

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
**For the nine months ended September 30**

| | 2017 (Unaudited) | 2016 (Unaudited) |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before tax | 168,680,471 | 150,329,054 |
| Adjustments for: | | |
| Depreciation and amortization | 101,785,942 | 81,232,171 |
| Unrealized foreign exchange loss | (656,564) | (3,823,466) |
| Gain on sale of property and equipment | (3,122,282) | (3,730,978) |
| Retirement benefits liability | 21,008,261 | 19,657,671 |
| Dividend income | (73,000) | (40,000) |
| Interest expense | 64,497,780 | 48,640,100 |
| Interest income | (45,344,876) | (30,741,266) |
| Operating income before working capital changes | 306,775,732 | 261,523,285 |
| Increase in: | | |
| Receivables | (254,877,131) | (67,430,227) |
| Inventories | (218,800,245) | (48,199,517) |
| Prepaid expenses and other current assets | (46,986,267) | (25,173,526) |
| Increase (decrease) in accounts payable and accrued expenses | 295,351,330 | 158,582,760 |
| | 81,463,419 | 279,302,776 |
| Income taxes paid | (31,841,290) | (35,406,738) |
| Interest received | 6,101,852 | 19,832,788 |
| Net cash flows used in operating activites | 55,723,981 | 263,728,826 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (31,794,592) | (39,447,230) |
| Increase in receivable from related parties | - | (946,666,902) |
| Acquisition of intangible assets | (430,000) | (0) |
| Collection of notes receivable | 180,000 | 82,847 |
| Dividends received | 73,000 | 40,000 |
| (Increase) Decrease in short term investment | (1,021,150) | 10,741,371 |
| Proceeds from sale of property and equipment | 5,580,780 | 4,469,042 |
| Increase in other non-current assets | (7,014,098) | (6,761,077) |
| Net cash flows from (used in) investing activites | (34,426,060) | (977,541,949) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Acquisition of treasury stock | (3,531,961) | (523,821,277) |
| Proceeds from availment of: | | |
| Long term loan | - | 979,840,000 |
| Short-Term Loan | 1,276,973,072 | 1,763,772,780 |
| Payments of: | | |
| Current Maturities of Long Term Debt | (187,768,521) | (439,372,633) |
| Short Term Loans | (1,056,451,936) | (1,160,074,422) |
| Interest | (58,744,263) | (42,212,686) |
| Dividends | (61,466,001) | (59,908,115) |
| Net cash flows from financing activities | (90,989,610) | 518,223,647 |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 2,821,703 | (101,621,468) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (66,869,986) | (297,210,945) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | 582,719,393 | 890,490,459 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 515,849,407 | 593,279,514 |

Splash Corporation And Subsidiaries
Consolidated Statement of Changes in Equity
For the Nine Months Ended September 30, 2017 and September 30, 2016(Unaudited)

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock | APIC | Unrealized Valuation Gain (Loss) on AFS | Cumulative Translation Adjustment | Remeasurement Loss on Defined Benefit Plan | Equity Reserve | Retained Earnings | Treasury Stock | Total | Non-Controlling Interest | Total |
| **Balances at January 1, 2017** | 746,160,357 | 1,635,776,027 | 25,750,100 | (104,465,792) | (17,618,622) | (20,820,461) | 808,983,458 | (908,710,013) | 2,165,055,054 | 13,160,302 | 2,178,215,356 |
| Net income (loss) for the period | | | | | | | 162,714,176 | | 162,714,176 | (1,268,858) | 161,445,318 |
| Other comprehensive income(loss) | | | | 2,399,480 | - | - | | | 2,399,480 | - | 2,399,480 |
| Total comprehensive income | - | - | - | 2,399,480 | - | - | 162,714,176 | - | 165,113,655 | (1,268,858) | 163,844,798 |
| Transactions with owners | | | | | | | | | | | |
| Dividend Declaration/Payment | | - | | | | | (61,466,001) | | (61,466,001) | | (61,466,001) |
| Acquistion of treasury shares | | - | | | | | | (3,531,961) | (3,531,961) | | (3,531,961) |
| **Balances at September 30, 2017** | 746,160,357 | 1,635,776,027 | 25,750,100 | (102,066,312) | (17,618,622) | (20,820,461) | 910,231,633 | (912,241,974) | 2,265,170,748 | 11,891,444 | 2,277,062,192 |
| **Balances at January 1, 2016** | 746,160,357 | 1,635,776,027 | 17,708,100 | (1,111,125) | (37,015,978) | (20,820,461) | 688,740,316 | (384,688,735) | 2,644,748,501 | 18,003,437 | 2,662,751,938 |
| Net income (loss) for the period | | | | | | | 124,542,756 | | 124,542,756 | (2,652,337) | 121,890,419 |
| Other comprehensive income(loss) | | | | (102,709,680) | - | - | | | (102,709,680) | - | (102,709,680) |
| Total comprehensive income | - | - | - | (102,709,680) | - | - | 124,542,756 | | 21,833,076 | (2,652,337) | 19,180,739 |
| Transactions with owners | | | | | | | | | | | |
| Dividend Declaration/Payment | | - | | | | | (59,908,115) | | (59,908,115) | | (59,908,115) |
| Acquistion of treasury shares | | - | | | | | | (523,821,278) | (523,821,278) | | (523,821,278) |
| **Balances at September 30, 2016** | 746,160,357 | 1,635,776,027 | 17,708,100 | (103,820,805) | (37,015,978) | (20,820,461) | 753,374,957 | (908,510,013) | 2,082,852,184 | 15,351,100 | 2,098,203,284 |

**SPLASH CORPORATION AND SUBSIDIARIES**
**(A Subsidiary of Ang.Hortaleza Corporation)**

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

## 1. General Information

Splash Corporation was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 30, 1991 primarily to develop, manufacture, bottle, pack and market cosmetics and other beauty products, and pharmaceutical products in the Philippines and abroad. Also, the primary purposes of the Company include the development or acquisition of technology to manufacture and sell personal care, pharmaceuticals, food, health, home, household care and other ancillary products in the Philippines and abroad. On November 15, 2007, the Company's shares of stock were listed and traded in the Philippine Stock Exchange (PSE). Its registered address is 5th Floor W-Office Building, 11th Avenue corner 28th Street, Bonifacio Global City, Taguig City. On July 11, 2016, the Board of Directors (BOD) authorized the delisting of its common shares listed in the PSE and hereby authorized to acquire, through a tender offer all of the publicly-owned common shares of the Company at the price of ₱3.10 per share. The tender offer price was based on the Fairness Opinion and Valuation Report issued by an independent firm duly accredited by the PSE. On October 3, 2016, the PSE approved the Petition for Voluntary Delisting filed by the Company and accordingly ordered the delisting of the Company's shares from the Official Registry of PSE effective as of end of business on October 7, 2016.

The Company is a subsidiary of Ang.Hortaleza Corporation (AHC), a Philippine corporation and the ultimate Parent Company.

## 2. Basis of preparation

The condensed consolidated interim financial statements for the nine months ended September 30, 2017 has been prepared in accordance with PAS 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

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

The condensed consolidated interim financial statements include the accounts of the Parent Company and its wholly owned subsidiaries Prime Global Distribution Corporation, Splash Foods Corporation, P.T. Splash Cahaya (PTSC), Splash H&B Sdn. Bhd (SHSB), Splash H&B Limited (SHL) and Splash Global Pte. Ltd. (SGPL), PT. Pratama Global Sukses and 83.5% owned Barrio Fiesta Manufacturing Corporation collectively referred to as "the Group". The Company also indirectly owns several subsidiaries (Prime Global GTD Corp. and Prime Global FLD Corp., Moondish Foods Corp., and Splash H&B(U) Ltd. which were consolidated with their respective parent companies, PGDC, SFC and SGPL, respectively. The condensed consolidated interim financial statements are presented in Philippine Peso (Peso), which is the parent Company's functional and presentation currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

## 3. Changes in Accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements as of September 30, 2017 are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2016, except for the adoption of the following new and amended PFRS and Philippine Interpretations International Financial Reporting Interpretation Committee (IFRIC) interpretations and amendments to existing Philippine Accounting Standards (PAS) which have no significant impact to the financial position and performance of the Group.

*Effective in 2016*

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*, clarifies the materiality requirements as shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions.

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS, does not affect recognition and measurement, and facilitate enhanced disclosure effectiveness.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization*, clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*, change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements*, will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*, clarifies the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity (IE) that measures all of its subsidiaries at fair value.

The amendments are intended to provide helpful clarifications that will assist preparers in applying the standards more consistently.

- Amendments to PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations,* require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 14, *Regulatory Deferral Accounts,* is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS.

*Annual Improvements to PFRSs (2012-2014 cycle)*
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal,* is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts,* requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety.

- Amendment to PFRS 7 *Financial Instruments Disclosures- Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statement,* is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate,* is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report",* is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*Effective in 2018*

- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9.

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*, was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

## 4. Seasonality of Operations

Higher revenues and operating profits are usually expected towards the second quarter and fourth quarter of the year in relation to the number of holidays and events in these periods.

## 5. Receivables

| | September 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|---|---|---|
| Trade (Note 10) | ₱791,690,767 | ₱551,863,426 |
| Non-trade: | | |
| Advances to officers and employees | 10,012,944 | 11,599,406 |
| Due from related parties(Note 10) | 88,860,374 | 67,845,794 |
| Interest receivable | 55,179,496 | 15,936,472 |
| Other receivables | 34,462,235 | 28,902,020 |
| | 188,515,049 | 124,283,692 |
| | 980,205,816 | 676,147,118 |
| Less allowance for doubtful accounts | 34,841,526 | 25,664,423 |
| | ₱945,364,290 | ₱650,482,695 |

Aging analysis of Trade Receivables (gross of allowance) as of September 30, 2017 is as follows:

| | Amount on Php000s | % to Total |
|---|---|---|
| **Philippine Operations** | | |
| 0 days/current | 536,548 | 73.3% |
| 1-30 days | 16,330 | 2.2% |
| Over 30 days | 20,409 | 2.8% |
| Over 60 days | 14,298 | 2.0% |
| Over 90 days | 14,113 | 1.9% |
| Over 120 days | 105,949 | 14.5% |
| Over 360 days | 24,234 | 3.3% |
| **Total Philippine Operations** | **731,881** | 100% |
| | | |
| **International** | | |
| 0 days/current | 35,916 | 60% |
| 1-30 days | 147 | 0% |
| Over 30 days | - | 0% |
| Over 60 days | 95 | 0% |
| Over 90 days | - | 0% |
| Over 120 days | 23,652 | 40% |
| Over 360 days | 0 | 0% |
| **Total International** | **59,810** | 100% |

Aging analysis of Trade Receivables (gross of allowance) as of September 30, 2016 is as follows:

| | Amount on Php000s | % to Total |
|---|---|---|
| **Philippine Operations** | | |
| 0 days/current | 447,280 | 86.0% |
| 1-30 days | 17,993 | 3.5% |
| Over 30 days | 12,375 | 2.4% |
| Over 60 days | 5,162 | 1.0% |
| Over 90 days | 3,430 | 0.7% |
| Over 120 days | 29,699 | 5.7% |
| Over 360 days | 4,001 | 0.8% |
| **Total Philippine Operations** | **519,939** | 100% |
| | | |
| **International** | | |
| 0 days/current | 17,425 | 28% |
| 1-30 days | 11,190 | 18% |
| Over 30 days | 16,305 | 27% |
| Over 60 days | 12,348 | 20% |
| Over 90 days | - | 0% |
| Over 120 days | 2 | 0% |
| Over 360 days | 3,887 | 6% |
| **Total International** | **61,157** | 100% |

All accounts over ninety days overdue were reviewed individually to assess its collectability. The assessment showed all accounts which were not provided with allowance for doubtful accounts have payment plans and are therefore still collectible pending resolution of related issues or customer concerns. The management believes that the existing allowance for doubtful accounts in 2017 amounting to ₱34,841,526 is adequate to cover possible uncollected accounts in the future. The increase in allowance is due to additional provision of ₱9,177,103.

## 6. Inventories

| | September 30, 2017 (Unaudited) | December 31, 2016 (Audited) |
|---|---|---|
| Finished goods | ₱378,668,290 | ₱269,314,272 |
| Work in process | 21,029,631 | 15,967,813 |
| Raw materials | 329,148,240 | 260,465,848 |
| | 728,846,161 | 545,747,933 |
| Less allowance for inventory obsolescence | 11,684,422 | 47,386,439 |
| | ₱717,161,739 | ₱498,361,494 |

The decrease in allowance is due to write off of ₱35,702,017.

## 7. Other Current Assets

| | September 30, 2017 (Unaudited) | December (Audited) |
|---|---|---|
| Downpayments to Suppliers | ₱50,542,609 | ₱13,738,112 |
| Creditable withholding taxes | 18,025,188 | 21,636,705 |
| Supplies inventory | 12,642,332 | 12,065,460 |
| Prepaid expenses | 16,177,499 | 10,320,735 |
| Prepaid maintenance fees | 1,296,068 | 4,670,998 |
| Deferred input VAT | 944,666 | 2,687,680 |
| Input VAT | 41,022,903 | 25,209,189 |
| Others | - | 3,336,119 |
| | ₱140,651,265 | ₱93,664,998 |

Downpayments to suppliers increased due to higher advance payments for raw materials and purchase of services, while input taxes also increased in local and international subsidiaries.

## 8. Property, Plant and Equipment

| | **September 30, 2017 (Unaudited)** | December 31, 2016 (Audited) |
|---|---|---|
| Beginning balance -Net | **499,904,334** | 609,898,944 |
| Additions | **31,794,592** | 61,108,071 |
| Depreciation | **(75,186,150)** | (48,681,214) |
| Disposals and others | **(2,458,497)** | (122,421,467) |
| Ending Balances | **454,054,278** | 499,904,334 |

Additions mainly pertain to upgrade of production facilities, acquisition of machineries, and transportation equipments for Personal Care Business.

## 9. Goodwill and Intangible Assets

The Group's intangible assets consist of the following:

As of September 30, 2017 (Unaudited):

| | Goodwill | Patents | Trademarks | Software Costs | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Beginning balances | 435,569,002 | 300,328,000 | 212,973,214 | 76,557,036 | 1,025,427,252 |
| Additions | - | - | - | 430,000 | 430,000 |
| Ending balances | 435,569,002 | 300,328,000 | 212,973,214 | 76,987,036 | 1,025,857,252 |
| **Accumulated Amortization** | | | | | |
| Beginning balances | - | 190,131,200 | 25,015,624 | 67,349,684 | 282,496,508 |
| Amortization | - | 20,021,867 | 2,449,405 | 4,128,520 | 26,599,792 |
| Ending balances | - | 210,153,067 | 27,465,029 | 71,478,204 | 309,096,299 |
| Translation adjustments | - | - | - | (49,215) | (49,215) |
| **Net Book Values** | 435,569,002 | 90,174,933 | 185,508,185 | 5,459,617 | 716,711,737 |

As of December 31, 2016 (Audited):

| | Goodwill* | Patents | Trademarks | Software Costs | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Beginning balances | ₱435,569,002 | ₱300,328,000 | ₱212,973,214 | ₱76,406,593 | ₱1,025,276,809 |
| Reclassification from property, plant and equipment | - | - | - | 150,443 | 150,443 |
| Ending balances | 435,569,002 | 300,328,000 | 212,973,214 | 76,557,036 | 1,025,427,252 |
| Accumulated Amortization | | | | | |
| Beginning balances | – | 160,098,400 | 21,341,517 | 60,472,788 | 241,912,705 |
| Amortization | – | 30,032,800 | 3,674,107 | 6,876,896 | 40,583,803 |
| Ending balances | – | 190,131,200 | 25,015,624 | 67,349,684 | 282,496,508 |
| Translation adjustments | – | | | (49,215) | (49,215) |
| Net Book Values | ₱435,569,002 | ₱110,196,800 | ₱187,957,590 | ₱9,158,137 | ₱742,881,529 |

** Includes provisional goodwill arising from MFC acquisition*

## 10. Related Party Transactions

For the period ended September 30, 2017 (Unaudited):

| | Sales | Service Income | Interest Income | Increase (decrease) in due to transactions | Advertising and Promotions | Donation | Others |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | ₱– | ₱– | ₱9,669,927 | ₱800,000 | ₱– | ₱– | ₱– |
| Fellow subsidiaries | 44,262,694, | 54,247,883 | 29,593,671 | | 9,396,000, | – | – |
| Related company | ₱– | ₱– | ₱– | – | – | | |
| Stockholder | – | – | – | 23,712,699 | – | – | – |
| | ₱44,262,694 | ₱54,247,883 | ₱39,263,598 | ₱24,512,699 | ₱9,396,000 | ₱– | ₱– |

For the year ended December 31, 2016 (Audited):

| | Sales | Service Income | Interest Income | Increase (decrease) in due to transactions | Advertising and Promotions | Donation | Others |
|---|---|---|---|---|---|---|---|
| Ultimate Parent Company | ₱– | ₱– | ₱12,893,236 | ₱-- | ₱– | ₱– | ₱ 1,887,465 |
| Fellow subsidiaries | 41,978,496 | 64,125,533 | 25,374,003 | | 9,396,000 | | 631,579 |
| Related company | – | – | – | -- | – | 9,795,096 | |

| | Sales | Service Income | Interest Income | Increase (decrease) in due to transactions | Advertising and Promotions | Donation | Others |
|---|---|---|---|---|---|---|---|
| | | | | 58,832,456 | | | |
| Stockholder | | | | | | | |
| | ₱41,978,496 | ₱64,125,533 | ₱38,267,239 | ₱58,832,456 | ₱9,396,000 | ₱9,795,096 | ₱2,519,044 |

The Group has the following account balances with related parties

As of September 30, 2017 (Unaudited):

| | **Cash and Cash Equivalents** | **Trade Receivables** | **Due from Related Parties** | **Interest Receivable** | **Notes Receivable** | Trade Payable |
|---|---|---|---|---|---|---|
| Ultimate Parent Company | **₱–** | **₱–** | **₱800,000** | **₱25,456,400** | **₱225,604,577** | **₱–** |
| Fellow Subsidiary | **1,165,368,159** | **166,589,965** | **5,762,047** | **29,705,967** | **–** | **100,000** |
| Stockholder | **–** | **–** | **82,298,327** | **–** | **–** | |
| Total | **₱1,165,368,159** | **₱166,589,965** | **₱88,860,374** | **₱55,162,367** | **₱225,604,577** | **₱100,000** |

As of December 31, 2016 (Audited):

| | Cash and Cash Equivalents | Trade Receivables | Due from Related Parties | Interest Receivable | Notes Receivable | Trade Payable |
|---|---|---|---|---|---|---|
| Ultimate Parent Company | ₱– | ₱– | ₱– | ₱15,786,472 | ₱225,604,577 | ₱– |
| Fellow Subsidiary | 1,177,756,672 | 89,008,331 | 5,762,047 | 150,000 | – | 100,000 |
| Stockholder | – | – | 62,083,747 | – | – | |
| Total | ₱1,177,756,672 | ₱89,008,331 | ₱67,845,794 | ₱15,936,472 | ₱225,604,577 | ₱100,000 |

## 11. Short-term Bank Loans and Long-term Debt

a. Short-term Bank Loans

The Parent Company's unsecured loans are payable within three to six months from dates of availment and are subject to interest rates of 3.5% to 4.5% per annum. Outstanding balances amounted to ₱949.22 million and ₱728.70 million as of September 30, 2017 and December 31, 2016, respectively.

b. Long-term Debt

| | **September 30, 2017 (Unaudited)** | December 31, 2016 (Audited) |
|---|---|---|
| Nominal amount - Beginning | **₱920,220,802** | ₱416,052,633 |
| Additions | **-** | 979,840,000 |
| Payments | **(187,768,521)** | (481,237,655) |
| Unrealized foreign exchange loss | **115,500** | 15,400,000 |
| Nominal amount - Ending | **732,567,781** | 930,054,978 |
| Unamortized debt issue costs | **3,747,271** | (9,834,176) |
| | **736,315,052** | 920,220,802 |
| Less current portion: | | |
| Nominal amount | **284,687,453** | 280,677,981 |
| Unamortized debt issue costs | **(3,562,734)** | (4,722,841) |
| | **281,382,219** | 275,955,140 |
| Noncurrent portion | **₱454,932,833** | ₱644,265,662 |

In August 2016, the Parent Company pre-terminated the balance of the Fixed and Floating Rate Notes amounting to ₱300 million with an average interest rate of 6.75%.

## 12. Equity

On April 21, 2017, the Board of Directors approved the declaration of cash dividends of Php 0.14 per share, with record date of May 8, 2017 and payment date of May 15, 2017.

## 13. Income Taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss. The Group's provision for income tax amounting to ₱7,235,154 mainly pertains to RCIT, MCIT and deferred income tax provisions as of September 30, 2017.

## 14. Segment Reporting

The Group's reportable segments are as follows:

*Philippine Operations* - sells and markets personal, health and beauty products through distributors located within the Philippines. These also include toll manufacturing services to a related party and payday sale operations.

*International Operations* - sells and markets personal, health and beauty and food products through foreign distributors located outside the Philippines and through local consolidators located within the Philippines. The foreign distributors include its foreign subsidiaries.

*Direct Selling Business* - is tasked to distribute the Group's product lines such as cosmetics and fragrances through networking groups and business partners.

*Food Business* - sells and markets food products under the brands Barrio Fiesta and Moondish. Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on Net sales and Operating profit or loss. Operating profit is obtained only by deducting operating expenses from gross profit. Finance costs, finance income
and income taxes are managed at the Group level. Segment assets only include receivables and inventories. All other assets are not allocated to the segments as part of information provided to CODM. Segment liabilities are not reported to the CODM.

The Group's segment information is as follows (in thousands):

| | For Nine Months Ended September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Philippine Operations | International Operations | Direct Selling Business | Food Business | Total |
| Net sales of goods (Notes a and b) | ₱2,531,685 | ₱290,562 | ₱50,703 | ₱232,712 | ₱3,105,663 |
| Service income (Notes a and b) | 54,248 | – | – | – | 54,248 |
| Total | 2,585,933 | 290,562 | 50,703 | 232,712 | 3,159,911 |
| Costs of goods sold and services (Note b) | 1,024,611 | 104,409 | 36,582 | 127,667 | 1,293,270 |
| Gross profit | 1,561,322 | 186,153 | 14,121 | 105,045 | 1,866,641 |
| Operating expenses | 1,067,055 | 86,654 | 9,154 | 147,554 | 1,310,417 |
| Operating profit (loss) before shared expenses | 494,266 | 99,499 | 4,967 | (42,508) | 556,224 |

| | | | | | |
|---|---|---|---|---|---|
| Shared expenses | 250,390 | 44,471 | 17,724 | 9,668 | 322,252 |
| Operating profit (loss) (Note c) | ₱243,877 | ₱55,029 | (₱12,757) | (₱52,176) | ₱233,972 |
| Segment Assets (Note d): | | | | | |
| Trade receivables (Notes a and b) | ₱663,599 | ₱55,824 | ₱9,259 | ₱63,010 | ₱791,691 |
| Inventories (Note e) | 472,270 | 74,814 | 113,763 | 68,000 | 728,846 |
| Total | ₱1,135,869 | ₱130,638 | ₱123,022 | ₱131,010 | ₱1,520,537 |

| | For Nine Months Ended September 30, 2016 | | | | |
|---|---|---|---|---|---|
| | Philippine Operations | International Operations | Direct Selling Business | Food Business | Total |
| Net sales of goods (Notes a and b) | ₱2,381,859 | ₱327,072 | ₱82,065 | ₱203,280 | ₱2,994,275 |
| Service income (Notes a and b) | 44,098 | – | – | – | 44,098 |
| Total | 2,425,957 | 327,072 | 82,065 | 203,280 | 3,038,374 |
| Costs of goods sold and services (Note b) | 964,800 | 104,126 | 28,610 | 119,330 | 1,216,866 |
| Gross profit | 1,461,157 | 222,946 | 53,455 | 83,949 | 1,821,507 |
| Operating expenses | 986,770 | 99,717 | 130,924 | 95,751 | 1,313,162 |
| Operating profit (loss) before shared expenses | 474,387 | 123,229 | (77,469) | (11,801) | 508,345 |
| Shared expenses | 268,052 | 56,032 | 11,414 | 10,376 | 345,874 |
| Operating profit (loss) (Note c) | ₱206,335 | ₱67,197 | (₱88,883) | (₱22,178) | ₱162,471 |
| Segment Assets (Note d): | | | | | |
| Trade receivables (Notes a and b) | ₱449,776 | ₱63,515 | ₱10,739 | ₱57,065 | ₱581,095 |
| Inventories (Note e) | 313,497 | 59,642 | 127,596 | 76,783 | 577,519 |
| Total | ₱763,273 | ₱123,158 | ₱138,335 | ₱133,848 | ₱1,158,614 |

Notes:

a. Segment revenues and related receivables for the segments are recognized when the goods are delivered to distributors/local consolidators/dealers (for sale of goods) and by reference to the stage of completion (for service income) which are the same revenue recognition being followed and reflected in the consolidated financial statements. The trade receivables are presented at gross of allowance for doubtful accounts.
b. There are no inter-segment sales or transactions. Consequently, the sum of the Philippine operations, international operations, direct selling business and food business segment accounts agrees with the amounts reflected in the consolidated statements of income.
c. Operating profit (loss) is obtained only by deducting operating expenses from gross profit. Other revenue and expenses to arrive at net income such as finance costs, finance income and income taxes are managed at the Group level.
d. Total segment assets include receivables and inventories. All other assets such as cash and cash equivalents, other financial instruments and property, plant and equipment are not allocated to the segments.
e. Inventories are presented at cost; thus, allowance for inventory obsolescence is not deducted from the amounts reported.

## 15. Financial Risk Management

The Group's principal financial instruments comprise of cash and cash equivalents, notes receivable, advances to ultimate Parent Company, AFS investments and long-term debt. The main purpose of the Group's financial instruments is to fund its brand acquisition, domestic and international operations and capital expenditures. The Group has various other financial assets and liabilities such as trade and other receivables, accounts payable and accrued expenses which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and concentration risk, interest rate risk, equity price risk, foreign currency risk and liquidity risk.
Risk Management Structure

Board of Directors
The BOD is responsible for the overall risk management approach, and reviews and approves the policies for managing each of these risks. The BOD monitors the implementation of its risk management policies through the following:

Executive Management Committee
The Executive Management Committee approves credit risk limits for large exposures, except for directors, officers, stockholders and related interests loans which are approved by the BOD regardless of amount. It approves risk related policies, oversees limits to discretionary authority that the BOD delegates to management. It tackles and manages the different risks inherent in the Group.

Audit Committee
The Audit Committee reviews the Group's policies and practices with respect to risk assessment and risk management and conducts regular discussion with executive management as to the Group's major risk exposures and the steps that need to be taken to monitor and control such exposures.

Financial Risk
Credit Risk and Concentration Risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations. Credit risk arises from cash and cash equivalents which are deposited in financial institutions, as well as credit exposure to wholesale and retail customers and distributors.

The Group trades only with recognized, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures taking into account the customer's past experience and other factors. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Outstanding receivables are mostly from big retail store chains which the Group services directly. Credit lines of these accounts are reviewed on a semi-annual basis. The credit risk on cash and cash equivalents and deposits with banks and financial institutions is limited because the transactions are with reputable local banks and a related party. The maximum exposure to credit risk is represented by the carrying amount of each loans and receivables in the consolidated balance sheets. The Group does not hold collateral as security on the Group's loans and receivables nor provides guaranty.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.
The Group's notes receivable and long-term debt are exposed to cash flow interest rate risk. The re-pricing of these instruments is done on intervals of three months.

The Group regularly monitors interest rate movements and, on the basis of current and projected economic and monetary data, decides on the best alternative to take. The Group monitors the interest rate volatility to protect it from spiraling interest costs should interest rates go up.
There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

The Group has cash and cash equivalents with banks which are subject to prevailing bank interest rates. Changes in interest rates relating to cash equivalents are not expected to change significantly and the Group believes that the effect of the change is not material.

Equity Price Risk

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in the levels of equity indices and value of individual stock. Management believes that the Group's exposure to equity price risk is not significant since the substantial portion of its investments in equity shares is unquoted.

Foreign Currency Risk

The Group has significant exposure to foreign currency exchange risk arising from its exposure to the U.S. dollar rate fluctuation on its trade receivables from export sales and cash and cash equivalents denominated in U.S. dollar. The Group is also exposed on the operations of PTSC (its foreign subsidiary) where transactions are denominated in IDR and NGN. The Group's exposure to other currencies from its other foreign subsidiaries is not yet significant.

It is not considered practical or cost effective at present to use financial instruments or derivatives to manage the Group's exposure to foreign exchange rate fluctuation. Instead, foreign exchange rates are reviewed and monitored periodically by the Group's BOD. The Group maintains U.S. dollar accounts to manage its foreign currency-denominated transactions.

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to always maintain a certain level of cash of up to 14 days sales. Receivable monitoring is performed on a daily basis to ensure positive liquidity. Standby credit lines are available from overdraft facilities and omnibus lines provided by banks. Excess funds are deposited in high-interest yield placements with terms of between 7 to 30 days.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, continue to provide returns to shareholders and benefits to other stakeholders, and to maintain an optimal capital structure that would reduce the cost of capital.

The Group regularly monitors its use of capital using leverage ratios, such as debt-to-equity ratio, and makes adjustments in the light of changes in economic conditions and its own financial position. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

There have been no changes in the risk management policies during the period and management believes that there are no significant changes in financial risk information that would materially affect the financial condition and results of operations of the Group. Hence, these should be read in conjunction with the group's annual consolidated financial statements as at December 31, 2016.

Fair Value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of September 30, 2017 and December 31, 2016:

| | As of September 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| | | (In Millions) | | |
| **Financial Assets** | | | | |
| Loans and receivables: | | | | |
| Notes receivable | ₱243.20 | ₱243.20 | ₱243.38 | ₱243.38 |
| Refundable lease and utility deposits | 21.83 | 21.83 | 13.76 | 13.76 |
| AFS investments | 41.56 | 41.56 | 41.56 | 41.56 |
| Non-financial Asset | | | | |
| Investment properties | 110.69 | 270.93 | 110.69 | 270.93 |
| | ₱417.28 | ₱577.52 | ₱409.39 | ₱569.33 |
| **Financial Liabilities** | | | | |
| Other financial liabilities: | | | | |
| Long-term debt | ₱736.32 | ₱736.32 | ₱920.22 | ₱920.22 |

*Notes receivable*
The carrying value of the long-term notes receivable approximates the fair value because of the quarterly repricing of interest rates based on market conditions.

*Refundable deposits*
The fair value of refundable deposits is determined by discounting the future cash flows using the prevailing rate as of September 30, 2017.

*AFS investments*
The fair value of quoted equity investments was determined by reference to market bid quotation as of balance sheet date. The fair value of unquoted AFS investments was determined based on the recent sale transaction.

*Long-term debt*
The carrying value approximates the fair value because of the quarterly repricing of interest rates based on market conditions.

*Fair Value Hierarchy*
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

**As of September 30, 2017:**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| | | (In Millions) | | |
| **Financial Assets** | | | | |
| **Loans and receivables:** | | | | |
| **Notes receivable(ii)** | **₱–** | **₱–** | **₱243.20** | **₱243.20** |
| **Refundable lease and utility deposits(ii)** | – | – | 21.83 | 21.83 |
| **AFS investments (i)** | **41.56** | – | – | **41.56** |
| **Non-financial asset** | | | | |
| **Investment property (ii)** | – | – | **270.93** | **270.93** |
| | **₱41.56** | **₱–** | **₱535.96** | **₱577.52** |
| | | | | |
| **Financial Liabilities** | | | | |
| **Other financial liabilities:** | | | | |
| **Long-term debt (ii)** | **₱–** | **₱–** | **₱736.32** | **₱736.32** |

As of December 31, 2016:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | | (In Millions) | | |
| **Financial Assets** | | | | |
| **Loans and receivables:** | | | | |
| **Notes receivable(ii)** | ₱– | ₱– | ₱243.38 | ₱243.38 |
| **Refundable lease and utility deposits(ii)** | – | – | 13.46 | 13.46 |
| **AFS investments (i)** | 41.56 | – | – | 41.56 |
| **Non-financial asset** | | | | |
| **Investment property (ii)** | – | – | 270.93 | 270.93 |
| | ₱41.56 | ₱– | ₱527.77 | ₱569.33 |
| | | | | |
| **Financial Liabilities** | | | | |
| **Other financial liabilities:** | | | | |
| **Long-term debt (ii)** | **₱–** | **₱–** | **₱920.22** | **₱920.22** |

In 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Since valuation of fair value of AFS investments are done only at year end, there is no gain or loss recognized as of September 30, 2017.

Financial Assets and Financial Liabilities

*Date of recognition*
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

*Initial recognition and classification of financial instruments*
All financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset), or received (in case of a liability). Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL,

loans and receivables, held-to-maturity (HTM) investments and AFS investments. 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 financial instruments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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.

As of September 30, 2017 and 2016, the Group has no financial instruments classified as at FVPL and HTM investments.

*Determination of fair value*
The fair value of financial instruments that are actively traded in organized financial market is determined by reference to quoted market bid prices (bid prices for long positions and asking prices for short positions without any deduction for transaction cost) at the close of business at the balance sheet date. When the current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments and all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include the use of recent market transactions between knowledgeable and willing parties in an arm's length transactions, net present value techniques, comparison to similar instrument for which market observable prices exist and other relevant valuation models.

## 16. Other Explanatory Notes

Unusual Items - During the current interim period, there are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

Changes in estimates or amounts reported in prior periods - There are no changes in estimates or amounts reported in prior interim periods or prior financial years that would have a material effect in the current interim period

Material events - Material events, if any, subsequent to the end of the prior interim period are reflected in the financial statements for the current interim period.

Earnings per Share (EPS) - EPS is determined by dividing net income by the weighted average number of shares issued and outstanding, after giving retroactive adjustments for any stock split and stock dividends or reverse stock splits during the year. The Company does not have dilutive potential common shares.

| | September 30, 2017 (Unaudited) | September 30, 2016 (Unaudited) |
|---|---|---|
| Net income (loss) | ₱162,714,176 | ₱124,542,756 |
| Weighted average number of shares | 439,632,638 | 597,942,388 |
| Earnings per share | ₱0.37 | ₱0.21 |

## 17. Other events subsequent to September 30, 2017

Other than those already disclosed in the appropriate sections, there were no subsequent events requiring disclosure.

**PART I – FINANCIAL INFORMATION**

**Splash Corporation**
**(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries**

**Management's Discussion and Analysis of**
**Financial Condition and Results of Operations**
**September 30, 2017**

**Item 2. Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations**

The MD&A should be read in conjunction with our unaudited financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (₱) unless otherwise stated.

Additional information about the Company can be found on our corporate website www.splash.com.ph.

## FINANCIAL CONDITION

As of September 30, 2017, the Group's total assets increased by 9.48% compared to December 31, 2016 mainly due to increase in receivables, inventories, prepayments and other noncurrent assets. Similarly, total liabilities increased by 13.60% mainly due to increase in short term bank loans, accounts payable and accrued expenses and retirement benefits liabilities.

The current ratio as of September 30, 2017 at 1.61 and the debt to equity ratio at 1.30 continued to be better than the requirements set in our Loan Facility Agreements which mandates a current ratio of at least 1.0 and debt-to-equity ratio of not more than 2.0 to 3.0 until the Notes/Loans are fully settled. The agreements also required the maintenance of a debt service coverage ratio of at least 1.0 to 1.75 based on the latest audited financial statements (FS). The latest audited FS showed a debt service coverage ratio of 3.51.

## KEY PERFORMANCE INDICATORS (KPI)

The Group uses the following key performance indicators to track performance and achievement of standards set year on year.

| KPI | CALCULATION | PERFORMANCE ACHIEVEMENT (in millions) | |
|---|---|---|---|
| | | YTD Sept 2017 | YTD Sept 2016 |
| CONSOLIDATED NET SALES | Includes sales of the Company and its subsidiaries net of applicable discounts and valid returns from customers. | ₱3,160 | ₱3,038 |
| NEW PRODUCT SALES | Sales of new products launched during the period under review. | 11 | 12 |
| EBITDA | Computed as Operating Income plus Amortization and Depreciation in order to provide an immediate indication of the Company's ability to generate cash flows from operations, incur and service debt, finance capital expenditures (CAPEX) and working capital changes. | 335 | 244 |

| | | | |
|---|---|---|---|
| NET INCOME AFTER TAX | Income before tax minus provision for Income Tax | ₱161 | ₱122 |

The following are key performance indicators (KPI's) of the parent company and its majority-owned local subsidiaries:

| KPI | SPLASH CORPORATION | | PRIME GLOBAL and SUBSIDIARIES | | BARRIO FIESTA MANUFACTURING CORP | |
|---|---|---|---|---|---|---|
| | YTD SEPT 2017 | YTD SEPT 2016 | YTD SEPT 2017 | YTD SEPT 2016 | YTD SEPT 2017 | YTD SEPT 2016 |
| NET SALES | ₱2,862.67 | ₱2,794.06 | ₱345 | ₱298 | ₱226.20 | ₱190.45 |
| EBITDA | 266.25 | 196.76 | 52.97 | 33.11 | 3.35 | 9.66 |
| NET INCOME (LOSS) AFTER TAX | ₱157 | ₱140.28 | ₱47.90 | ₱20.46 | ₱(15.96) | ₱(18.26) |

The KPI's of other subsidiaries (P.T. Splash Cahaya, Splash H&B SDN BHD in Malaysia, Splash H&B Limited, Splash Global PTE. LTD.), are not yet significant and already formed part of the consolidated KPI's.

## NET SALES

Net Sales for the first three quarters amounted to ₱3,160 million pesos which is higher by 4% than last year.

## NEW PRODUCT SALES

New products introduced during the first three quarters of 2017.

- Flawlessly U Vit Exfoliant Fluid 50mlx24
- Hygienix Germicidal Bath Soap 55g X144
- Skinwhite powerwhitng lot spf20 350mlx12
- Skinwhite pwrwht gluta+vitc lot 200mlx24

## MARKET SHARES OF CORE BRANDS

Presented below is the market share of our top product category:

| Product Category | Total Philippines – Volume % Share |
|---|---|
| Exfoliant | Maxi-Peel continues to post growth versus last year, with all lines performing well. This performance was further boosted by the launch of its newest product – MAXI-PEEL ZERO – which posted an achievement of 286% versus set targets.<br><br>Maxi-Peel Zero experienced astounding success on trade supported by a TV campaign and merchandising efforts in-stores. Clearly there is a market for a (MICRO) exfoliant solution that provides potent results without the side effects of peeling and redness, as evidenced by growing offtake seen for MXP Zero in the first half of the year. |

| | |
|---|---|
| | Maxi-Peel aims to further strengthen its leadership position in the second sem with continuous on-trade activities, coupled with TV support for MXP Zero and digital efforts for Maxi-Peel Solution and Complementaries. |
| Whitening | Total SkinWhite's performance remains challenged due to stock issues brought about by its packaging transition earlier this year. A slowdown in offtake is also seen for the Classic Light variant. Brand performance, however, is expected to normalize and generate growth due to the continuous airing of new campaigns supporting its PowerWhitening and Gluta lines.<br><br>Flawlessly U, continues to post growth at 18% brought about by positive acceptance of its mainstream expansion efforts, as well as support generated by its latest TVC campaign featuring brand endorser, Nadine Lustre. |
| Hair and New Markets Category | Stylex continues to reap the success from its advertising efforts earlier in the year, resulting in positive performance for the brand, generating 11% growth versus LY.<br><br>Vitress' performance dipped brought mainly by stock issues due to its packaging transition, but have seen some recovery as packaging supply normalizes.<br><br>In the Hair Dye segment, Kolours continues to be challenged by aggressive competition but due primarily to the proliferation of smaller, cheaper brands in the market. Hair Dye users have shifted towards these lower priced products that are now widely available.<br><br>Hygienix continues to enjoy the most robust growth at 89%. This is attributed mainly to increased availability in stores nationwide, including downline channels. Also, the renewed interest in the brand was brought about by its very creative and targeted digital campaign highlighting the brand and its role in a germ-infested world. The recent launch of Hygienix' Anti-bacterial soap TV campaign was met with positive response and continues to see steady increases in sales up to today. |

## RESULTS OF OPERATION

| | For Period Ended September 30 | | | Cost to Sales Ratio | |
|---|---|---|---|---|---|
| | 2017 | 2016 | % Change | 2017 YTD | 2016 YTD |
| Net Sales | **3,159,911,185** | 3,038,373,767 | 4.0% | 100.0% | 100.0% |
| Cost of goods sold | **(1,293,269,944)** | (1,216,866,341) | 6.3% | -40.9% | -40.0% |
| Gross profit | **1,866,641,242** | 1,821,507,425 | 2.5% | 59.1% | 60.0% |
| Operating expenses | **(1,632,668,780)** | (1,659,036,084) | -1.6% | -51.7% | -54.6% |
| Operating Income | **233,972,462** | 162,471,341 | 44.0% | 7.4% | 5.3% |
| Interest income | **45,344,876** | 30,741,266 | 47.5% | 1.4% | 1.0% |
| Interest expense | **(64,497,780)** | (48,640,100) | 32.6% | -2.0% | -1.6% |
| Other charges | **(46,139,086)** | 5,756,547 | -901.5% | -1.5% | 0.2% |
| Net income before tax | **168,680,471** | 150,329,054 | 12.2% | 5.3% | 4.9% |
| Income tax | **(7,235,154)** | (28,438,635) | -74.6% | -0.2% | -0.9% |
| Net income after tax | **161,445,318** | 121,890,419 | 32.5% | 5.1% | 4.0% |
| Earnings per share | **0.37** | 0.21 | 76.2% | 0.0% | 0.0% |

Explanation for variances of 5% (+ or -):

The increase in cost of goods sold mainly pertain to increase in sales and inventory provisions in 2017 compared to same period last year.

Interest income increased due to increase in funds investible in short term investments.

Interest expense increased due to availments of long term debts in 2016.

Increase in other charges due to increase in tax provisions.

## EBITDA

| | **September 2017 YTD** | September 2016 YTD | Dec 2016 YTD |
|---|---|---|---|
| Net Operating Income | **233,972,462** | 162,471,341 | 263,532,374 |
| Depreciation and Amortization | **101,785,942** | 81,232,171 | 89,265,017 |
| EBITDA | **335,758,404** | 243,703,512 | 352,797,391 |

Changes in net operating income and depreciation are also discussed below

## NET INCOME AFTER TAX

Net income after tax for the first three quarters amounting to ₱161 million, was an increase of 32.45% over ₱122 million net income for the same period last year.

Non-cash operating expenses consist of:

| | September 2017 YTD | September 2016 YTD | Dec 2016 YTD |
|---|---|---|---|
| Depreciation and Amortization | **101,785,942** | 81,232,171 | 89,265,017 |

**Financial Ratios**

| | September 2017 | December 2016 |
|---|---|---|
| Current ratio | 1.61 | 1.81 |
| Debt to Equity ratio | 1.30 | 1.20 |
| Asset to Equity Ratio | 2.30 | 2.20 |
| Return on Sales | 5.11% | 4.37% |
| Return on Equity | 7.09% | 8.06% |
| Solvency Ratio (1) | 176.70% | 183.35% |
| Debt Service Coverage Ratio (2) | 3.51 | 3.51 |
| Interest Rate Coverage Ratio (3) | 5.19 | 5.28 |

(1) Solvency Ratio = Total Assets/Total Liabilities
(2) Debt Service Coverage Ratio = (Beginning cash plus net cash from operating activities)/(Interest expense plus current portion of long-term debt)(based on latest audited FS)
(3) Interest Rate Coverage Ratio = (Net income before tax plus depreciation and amortization plus interest expense)/Interest expense

## FINANCIAL CONDITION

| | As of September 30 | | % | % of Total Assets / Liabs & Equity | |
|---|---|---|---|---|---|
| | 2017 | 2016 | Change | As of 9/30/17 | As of 9/30/16 |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | **515,849,407** | 573,591,507 | -10.07% | 10% | 12% |
| Short-term Investments | **1,156,544,315** | 19,688,007 | 5774.36% | 22% | 0% |
| Receivables - net | **945,364,290** | 1,823,776,619 | -48.16% | 18% | 37% |
| Inventories - net | **717,161,739** | 558,931,115 | 28.31% | 14% | 11% |
| Current portion of notes receivable | **225,604,577** | 136,241,172 | 65.59% | 4% | 3% |
| Other current assets | **140,651,265** | 128,086,685 | 9.81% | 3% | 3% |
| **Total Current Assets** | **3,701,175,593** | 3,240,315,104 | 14.22% | 71% | 65% |
| **Non-Current Assets** | | | | | |
| Notes receivable - net of current portion | **17,595,478** | 107,138,883 | -83.58% | 0% | 2% |
| Property, plant and equipment - net | **454,054,278** | 597,778,608 | -24.04% | 9% | 12% |
| Investment Property | **110,691,159** | 27,510,456 | 302.36% | 2% | 1% |
| Available for sale investments | **41,562,000** | 33,520,000 | 23.99% | 1% | 1% |
| Intangible assets | **716,711,737** | 752,575,289 | -4.77% | 14% | 15% |
| Deferred income tax assets | **118,056,748** | 146,817,594 | -19.59% | 2% | 3% |
| Other non-current assets | **85,839,327** | 70,134,705 | 22.39% | 2% | 1% |
| **Total Non-Current Assets** | **1,544,510,727** | 1,735,475,535 | -11.00% | 29% | 35% |
| **TOTAL ASSSETS** | **5,245,686,320** | 4,975,790,639 | 5.42% | **100%** | **100%** |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current Liabilities** | | | | | |
| Short-term bank loans | **949,223,337** | 846,296,745 | 12.16% | 18% | 17% |
| Accounts payable and accrued expenses | **1,031,429,185** | 841,616,955 | 22.55% | 20% | 17% |
| Income tax payable | **141,089** | 8,294,784 | -98.30% | | |
| Current portion of: | | | | | |
| Floating rate notes payable - current portion | **281,382,219** | 244,573,771 | 15.05% | 5% | 5% |
| Provisions | **34,621,117** | 13,800,000 | 150.88% | 1% | 0% |
| **Total Current Liabilities** | **2,296,796,946** | 1,954,582,254 | 17.51% | 44% | 39% |
| **Non-current liabilities** | | | | | |
| Floating rate notes payable - net of current portion | **454,932,834** | 707,138,088 | -35.67% | 9% | 14% |
| Retirement benefits liability | **184,194,347** | 183,167,012 | 0.56% | 4% | 4% |
| Deferred Income Tax Liability | **32,700,000** | 32,700,000 | 0.00% | 1% | 1% |
| **Total Non-Current Liabilities** | **671,827,181** | 923,005,100 | -27.21% | 13% | 19% |
| **Total Liabilities** | **2,968,624,127** | 2,877,587,354 | 3.16% | 57% | 58% |
| **Equity** | | | | | |
| Attributable to equity holders of the Company: | | | | | |
| Capital Stock | **746,160,357** | 746,160,357 | 0.00% | 14% | 15% |
| Additional paid-in capital | **1,635,776,027** | 1,635,776,027 | 0.00% | 31% | 33% |
| Unrealized valuation gain (loss) on available-for-sale financial assets | **25,750,100** | 17,708,100 | 45.41% | 0% | 0% |
| Cumulative translation adjustment | **(102,066,312)** | (103,820,805) | -1.69% | -2% | -2% |
| Unrealized actuarial loss on defined benefit plan | **(17,618,622)** | (37,015,978) | -52.40% | 0% | -1% |
| Equity Reserve | **(20,820,461)** | (20,820,461) | 0.00% | 0% | 0% |
| Treasury stock | **(912,241,974)** | (908,510,013) | 0.41% | -17% | -18% |
| Retained earnings | **910,231,633** | 753,374,957 | 20.82% | 17% | 15% |
| | **2,265,170,748** | 2,082,852,185 | 8.75% | 43% | 42% |
| Non-controlling interest | **11,891,445** | 15,351,100 | -22.54% | 0% | 0% |
| **Total Equity** | **2,277,062,193** | 2,098,203,285 | 8.52% | 43% | 42% |
| **TOTAL LIABILITIES AND EQUITY** | **5,245,686,320** | 4,975,790,639 | 5.42% | **100%** | **100%** |

**Explanation of accounts with 5% (+ or -) variance:**

Cash and cash equivalents decreased by 10% vs 2016 due to decrease in investible funds.

Increase in short-term investments pertains to additional placements in latter part of 2016.

Notes receivables variances were mainly re-structuring of advances to a shorter term from its original term.

Inventories increased by 28.31% due to higher sales requirements for the next months.

Prepaid expenses and other current assets increased by 9.81% mainly due to higher advances to suppliers, input taxes and prepayments.

Fixed assets decreased by 24.04% because of depreciation.

Investment property increased due to reclassification of the Parent company's remaining shares in the condominium units in December 2016, which are intended to be held for future capital appreciation.

Deferred income tax assets decreased by 19.59% due to write off of receivables of Direct Sales Division.

Short-term payable increases primarily due to new loan availments in 2017.

Accounts payable and accrued expenses increase mainly due increase in trade payables, taxes payables and accrued selling expenses.

Provisions increased due to pending tax cases.

**As a percent to total assets or total liabilities the significant changes were as follows:**

For the same reasons stated above, cash and cash equivalents, short term investments, fixed assets, accounts payable, and notes payable accounts increased or decreased by more than two percentage points.

## OTHER MATTERS

**Any known trends, demands, commitments, events or uncertainties that will have a material effect on the issuer's liquidity increasing or decreasing in any material way**

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

**Event(s) that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation**

The Corporate Notes Facility Agreement, provides among other terms and conditions, that for as long as the Note is outstanding, the Company is subject to negative covenants requiring prior written approval of the Note Holders for specific acts, such as:

- Materially changing the nature of its business;
- Changing majority ownership, voting control, or entering into Management Contracts or similar arrangements, which will materially and adversely affect the Company's ability to perform its obligations;
- Entering into merger or consolidation except when the Company is the surviving corporation;
- Granting of loans of advances to or investment in/with its directors, officers, stockholders and their related persons except those made in the ordinary course of business;
- Creation of a lien with respect to any of its properties;
- Sale, lease, transfer of all or substantially all of its assets;
- Purchase or guarantee indebtedness;
- Prepayment or repurchase of any long term indebtedness (other than the notes) pursuant to a provision on acceleration of payment;
- Declaration of Dividends when any sum due to the Note Holders is in arrears or if the Company is in default;
- Incurring additional loans with maturity exceeding one year;
- Purchase, redeem, retire or otherwise acquire for value any of its capital stock;
- Declare management bonuses or profit sharing over and above existing employee benefits;
- Enter into related party transactions that are not at arms' length;
- Permit ownership in subsidiaries to fall below 50%, or permit loss of management control;
- Acquire, undertake or invest in non-allied business;

The new loan facilities generally requires the Company to maintain the following financial ratios:

| | |
|---|---|
| CURRENT RATIO | AT LEAST 1.0X |
| DEBT TO EQUITY RATIO | NOT MORE THAN 2.0X TO 3.0X |
| DEBT SERVICE COVERAGE RATIO | AT LEAST 1.0X TO 1.75X |

As of September 30, 2017, the Group continues to be compliant with the above requirements.

**Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company within consolidated entities or other persons created during the reporting period**

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and or other relationships of the Company within consolidated entities or other persons created during the reporting period.

**Material commitments for capital expenditures, the general purpose of such commitment and the expected sources of funds for such expenditures**

For 2017, the CAPEX budget is ₱154.34 million, allocated as follows:

| | |
|---|---|
| Splash Corporation | ₱113.58 |
| Prime Global Distribtuion Corporation | 22.92 |
| Splash Nutritionals Corporation | 17.84 |
| **TOTAL** | **₱154.34** |

The expected source of funds for such expenditures will come from borrowings and internally generated funds.

**Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/ revenues/income from continuing operations**

The company produces and markets fast-moving consumer goods so that the most significant risk that it faces is inflation. Food items comprise about half of the basket of goods, with personal care items accounting for roughly 40% at most. With inflation, consumption will skew to the more essential items, with consumers postponing or even foregoing the purchase of non-essentials including personal care products.

In addition, inflation exerts upward pressures on product inputs as well as on operating costs. As prices are not normally automatically adjusted in line with production and operating costs, profit margins may decline.

**Significant elements of income or loss that did not arise from the issuer's continuing operations**

All of the Company's income/earnings are from its continuing operations.

**Causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.**

Significant changes in the Company's financial statements are explained or disclosed in previous sections of this report and likewise in the accompanying notes to financial statements.

**Seasonal aspects that had a material effect on the financial condition or results of operations**

Sales in the early months of the year, particularly January, tend to be lower due to the December inventory build-up at the trade and distributor levels (for the high consumer demand during the holiday season.) However, sales begin to increase in February and peaks in May when traditional summer events (fiestas and festivals) occur. Demand normally declines during the third quarter as a result of the wet/typhoon season. This lower demand is more evident in rural or agricultural areas where farmers wait for harvest. Demand then rises in the 4$^{th}$ quarter with harvest and the holiday season.

PART II – OTHER INFORMATION

**Splash Corporation**
**(A Subsidiary of Ang·Hortaleza Corporation) and Subsidiaries**

Legal, Regulatory and Corporate Developments
September 30, 2017

## MAJOR STOCKHOLDERS

As of September 30, 2017, there are 230 holders of common shares. The top twenty (20) stockholders and the number and percentage of total shares outstanding held by each are as follows:

## LIST OF TOP 20 STOCKHOLDERS

| Rank | Name | Number of Shares Held | Percent to Total Outstanding |
|---|---|---|---|
| 1 | Ang Hortaleza Corporation | 435,888,888 | 99.32% |
| 2 | Chua Co Kiong Benito N. | 600,000 | 0.14% |
| 3 | BPI Securities Corp. Fao Jireh De Guzman Sanico And/Or Aileen Porcioncula Sanico | 334,000 | 0.08% |
| 4 | PCD Nominee Corp.(Fil.) | 153,788 | 0.03% |
| 5 | Adelaida Zita Reyes Carlos | 150,000 | 0.03% |
| 6 | Miguel Ong Pineda | 126,000 | 0.03% |
| 7 | Nelly Uy Yu | 110,000 | 0.03% |
| 8 | David L. Kho | 110,000 | 0.03% |
| 9 | Rosita T. Tan | 100,000 | 0.02% |
| 10 | H.e. Bennett securities, inc. | 75,000 | 0.02% |
| 11 | Edwin Pineda Ong | 50,000 | 0.01% |
| 12 | Pan Malayan Management & Investment Corporation | 50,000 | 0.01% |
| 13 | Kho David Limqueco | 50,000 | 0.01% |
| 14 | BPI Securities Corp. Fao Lendle Joseph Rosales Ozaeta | 50,000 | 0.01% |
| 15 | Guillermo F. Gili, Jr. | 48,000 | 0.01% |
| 16 | BPI Securities Corp. Fao Red Dela Paz Catacutan | 45,000 | 0.01% |
| 17 | Oliver Wendell T. Go | 42,000 | 0.01% |
| 18 | Roy Oliver R. Alquiza | 37,000 | 0.01% |
| 19 | SB Equities Inc. Fao 1VERL01 | 35,000 | 0.01% |
| 20 | BPI Securities Corp. Fao Fulgencio S. Factoran Jr. | 30,000 | 0.01% |

## BOARD OF DIRECTORS

As of September 30, 2017, the members of the Board of Directors of Splash Corporation are as follows:

| Name | Position |
|---|---|
| Rolando B. Hortaleza, M.D. | Chairman and Chief Executive Officer |
| Rosalinda A. Hortaleza, M.D. | Director |
| Jimmy T. Yaokasin, Jr. | Vice Chairman, Independent Director |
| Ricardo R. Blanco | Director |
| Maurice P. Ligot | Director |
| Emily A. Abrera | Independent Director |
| Veneranda M. Tomas | President and Chief Operating Officer, Director |

## EXECUTIVE OFFICERS

As of September 30, 2017, the executive officers of Splash Corporation are as follows:

| Name | Position |
|---|---|
| Rolando B. Hortaleza, M.D. | Chairman and Chief Executive Officer |
| Veneranda M. Tomas | President & Chief Operating Officer |
| Fernando M. Manotok | EVP, Chief Financial Officer |
| Vincent Ace V. Villa-real | SVP, GM for International Operations & Foods |
| Marco Manuel B. Nieto | SVP, GM for Philippine Operations & Distribution |
| Ma. Chantelle C. Batac | SVP, Human Resources and Administration |
| Joseph C. Bautista | VP, Comptrollership |
| Lynneth P. Malabanan | VP, Corporate Quality and Technology Development |
| Alan L. Alcantara | VP, Manufacturing Operations |

## SIGNATURE

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

Issuer **SPLASH CORPORATION**

By: **FERNANDO M. MANOTOK**
EVP, Chief Financial Officer

Date: November 7, 2017