

COVER SHEET

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S.E.C. Registration Number

J O L L I B E E F O O D S C O R P O R A T I O N

(Company's Full Name)

10/F J O L L I B E E P L A Z A B U I L D I N G
10 F. O R T I G A S J R . A V E N U E
O R T I G A S C E N T E R , P A S I G C I T Y

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

Atty. Angeline L. Chong

Contact Person

(632) 634-1111 local 7817

Company Telephone Number

31-Dec

Month Day Year
Fiscal Year

Any Day in June

Month Day Year
Annual Meeting

Definitive Information Statement

20-IS

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total no. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = please use **black ink** for scanning purposes



COVER SHEET

JOLLIBEE FOODS CORPORATION

(Company's Full Name)

10/F Jollibee Plaza Building

10 F. Ortigas Jr. Avenue,
Ortigas Center, Pasig City

(Company's Address)

(632) 634-1111

Telephone Number

December 31

(Fiscal Year Ending)

Any day in the month of June

(Annual Meeting)

SEC Form 20-IS

Definitive Information Statement

(Form Type)

Amendment Designation (If applicable)

Registered and Listed

(Secondary License Type and File Number)

Cashier

LCU

DTU

77487
S.E.C REG. No.

Central Receiving Unit

File Number

Document I.D.





NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of Jollibee Foods Corporation (the "Corporation") will be held on June 30, 2017 at 2:00pm, at the PSE Auditorium, Ground Floor, PSE Building, Exchange Road, Ortigas Center, Pasig City.

The Agenda for the meeting shall be as follows:

1. Call to Order;
2. Certification by the Corporate Secretary on Notice and Quorum;
3. Reading and approval of the minutes of the last Annual Stockholders' Meeting;
4. Management's Report;
5. Approval of the 2016 Audited Financial Statements and Annual Report;
6. Ratification of Actions by the Board of Directors and Officers of the Corporation;
7. Election of Directors;
8. Appointment of External Auditors;
9. Other matters; and
10. Adjournment.

Registration begins at 1:00pm. Only stockholders of record as of May 2, 2017 are entitled to vote and be voted for during the meeting. For your convenience in registering your attendance, please bring any form of government-issued identification such as passport, SSS identification or driver's license.

All nominations to the Board of Directors must be received by the Corporate Secretary not later than June 7, 2017. Nominations received after this date shall not be recognized for the meeting.

We are not soliciting your proxy. However, you may attend the meeting by submitting a duly-accomplished proxy substantially in the form attached hereto or as may be downloaded in www.jollibee.com.ph which must be received by the Corporate Secretary not later than ten (10) days before the meeting or on June 20, 2017 ("Cut-Off Date"). Proxies received after Cut-Off Date shall not be recognized for the meeting. Proxies duly received by the Corporate Secretary on or before Cut-Off Date shall be recognized for the meeting unless revoked by personal appearance of the stockholder or by a later proxy received on or before Cut-Off Date.

Pasig City, April 5, 2017.



WILLIAM TAN UNTIONG
Corporate Secretary

PROXY

KNOW ALL MEN BY THESE PRESENTS:

That I, the undersigned stockholder of JOLLIBEE FOODS CORPORATION, do hereby nominate, constitute and appoint _____ as my true and lawful attorney-in-fact and proxy to represent me and vote all my shares registered in my name in the books of said corporation, in the annual stockholders' meeting to be held on June 30, 2017 and any adjournments thereof, as fully to all intents and purposes as I might or could do if present in person, hereby ratifying and confirming any and all actions taken during any said meetings, or adjournments thereof.

This proxy shall be valid for the above meeting only, or any adjournments thereof, unless withdrawn by me earlier through notice in writing delivered to the Corporate Secretary. In case I shall be present at any particular meeting, or shall have given my proxy to another to represent me at any meeting, this proxy shall be deemed revoked.

Dated this ____ day of _____.

Signature: _____

Printed Name: _____

(Do Not Fill This Portion)

No. of Shares Registered: _____

Verified By: _____

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
Information Statement Pursuant to Section 20 of The Securities Regulations Code

1. Check the appropriate box:

☐ Preliminary Information Statement

☒ Definitive Information Statement
2. Name of Company as specified in its charter: **JOLLIBEE FOODS CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization: **MANILA, PHILIPPINES**
4. SEC Identification Number: **77487**
5. BIR Tax Identification Code: **000-388-771**
6. Address of principal office: **10/F JOLLIBEE PLAZA BLDG., 10 F. ORTIGAS JR. AVE., ORTIGAS CENTER, PASIG CITY**
7. Company's telephone number, including area code: **(632) 634-1111**
8. Date, time and place of the meeting of security holders:
JUNE 30, 2017 AT 2:00 PM, PSE AUDITORIUM, GROUND FLOOR, PSE BUILDING, EXCHANGE ROAD, ORTIGAS CENTER, PASIG CITY.
9. Approximate date on which the Information Statement is first to be sent or given to security holders: **JUNE 7, 2017**
10. In case of Proxy Solicitations:
Name of Person Filing the Statement/Solicitor: **N/A**
Address and Telephone Number: **N/A**
11. Securities registered pursuant to Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of each Class	Number of shares of common stock & warrants outstanding
Common	1,081,242,369
Treasury Shares:	16,447,340

Note: Total common outstanding shares of 1,081,242,369 is inclusive of 2,436,661 shares entrusted with Deutsche Regis Partners, Inc. with the following details:

MSOP Shares:	
Beginning balance (per SEC Form 17-C dated May 12, 2017)	1,231,761
Shares applied for listing	-
Ending balance, as of May 16, 2017	1,231,761
ELTIP Shares:	
Beginning Balance (per SEC Form 17-C dated May 12, 2017)	1,204,900
Shares applied for listing	-
Ending balance, as of May 16, 2017	1,204,900
TOTAL	2,436,661

12. Are any or all of Company's securities listed in the Philippine Stock Exchange?

Yes ☒

No ☐

GENERAL INFORMATION

NO SOLICITATION SHALL BE CONDUCTED AND NO PROXIES SHALL BE SOLICITED FOR PURPOSES OF THE COMPANY'S REGULAR STOCKHOLDERS' MEETING TO BE HELD ON JUNE 30, 2017.

DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

The Annual Stockholders' Meeting of Jollibee Foods Corporation (the "Company") will be held on June 30, 2017 at 2:00 p.m. at the PSE Auditorium, Pasig City (the "Meeting"). This Information Statement shall be first distributed to the stockholders of record as of May 2, 2017 on or before June 7, 2017.

The Company's mailing address is at the 10/F Jollibee Plaza Building, 10 F. Ortigas Jr., Avenue, Ortigas Center, Pasig City, Metro Manila.

DISSENTERS' RIGHT OF APPRAISAL

There are no corporate matters or actions that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X of the Corporation Code. In any event, the Company shall observe the procedure set forth in Title X of the Corporation Code with respect to a dissenters' right of appraisal.¹

INTERESTS OF PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

None of the directors or officers of the Company, or any nominee to the Board of Directors, or any associate of the foregoing persons have substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon during the Meeting. Likewise, there are no persons who have substantial interest, directly or indirectly, in any matter to be acted upon, other than elections to office.

There is no director who has informed the Company in writing that he or she intends to oppose any action to be taken by the Company at the Meeting.

¹ Section 82. How right is exercised. – The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) The Company has, as of April 30, 2017, 1,081,242,369 outstanding common shares of stock and each share is entitled to one vote.
- (b) Pursuant to the Resolution of the Board of Directors at a meeting held on April 5, 2017 the Board fixed May 2, 2017 as the record date for purposes of determining stockholders entitled to notice of and to vote at the Meeting.
- (c) Pursuant to Article III, Section 2 of the Company's by-laws, a stockholder may vote during the Meeting either in person or by proxy.

Applying Section 24 of the Corporation Code, each stockholder may vote in any of the following manner:

- 1) He/she may vote such number of shares for as many persons as there are directors to be elected;
- 2) He/she may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by his shares; or
- 3) He/she may distribute them on the same principle among as many candidates as he shall see fit.

In any of the foregoing instances, the total number of votes cast by the shareholder shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

- (d) Security Ownership of Certain Record and Beneficial Owner and Management

Security Ownership of Certain Record and Beneficial Owners (as of April 30, 2017):

Title of Class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Hyper Dynamic Corporation 6 th Floor Jollibee Center San Miguel Ave., Pasig City	<i>Majority of the shares in Hyper Dynamic Corporation are owned or controlled by Tony Tan Caktiong and certain relatives within the second degree of consanguinity or affinity.</i>	Filipino	273,218,750	25.27%
Common	PCD Nominee Corporation G/F Makati Stock Exchange 6767 Ayala Ave., Makati City	<i>Approximately 646,528 scrippless shares lodged with Deutsche Regis Partners Inc. are owned by Queenbee Resources Corporation, a special purpose vehicle which is the issuer of warrants over such shares.</i>	Non-Filipino	288,584,562	26.69%

Title of Class	Name and Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Honeysea Corporation 6 th Floor Jollibee Center San Miguel Ave., Pasig City	<i>Majority of the shares in Honeysea Corporation are owned or controlled by Tony Tan Caktiong and certain relatives within the second degree of consanguinity or affinity.</i>	Filipino	127,743,747	11.81%
Common	PCD Nominee Corporation G/F Makati Stock Exchange 6767 Ayala Ave., Makati City		Filipino	127,395,984	11.78%
Common	Winall Holding Corporation 6 th Floor Jollibee Center San Miguel Ave., Pasig City	<i>Majority of the shares in Winall Holding Corporation are owned or controlled by certain relatives within the fourth degree of consanguinity or affinity of Mr. Tony Tan Caktiong.</i>	Filipino	54,140,736	5.01%

Security Ownership of Directors (as of April 30, 2017):

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Tony Tan Caktiong <i>Director, Chairman</i>	Filipino	Direct -	8,254,565	Total: 0.79%
		Indirect (through Deutsche)	240,000	
Ernesto Tanmantiong <i>Director, President and Chief Executive Officer</i>	Filipino	Direct	6,843,951	Total: 0.68%
		Indirect (through Deutsche)	457,019	
William Tan Untiong <i>Director, Corporate Secretary and Chief Real Estate Executive</i>	Filipino	Direct	7,730,055	Total: 0.74%
		Indirect (through Deutsche)	279,667	
Joseph C. Tanbuntiong <i>Director and Treasurer</i>	Filipino	Direct	64,630	Total: 0.01%
		Indirect	-	
Ang Cho Sit <i>Director</i>	Filipino	Direct	11	Total: 1.61%
		Direct (through Venice) ²	17,423,735	

²As disclosed in Ang Cho Sit's SEC Form 23-B.

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Antonio Chua Poe Eng <i>Director</i>	Filipino	Direct	1	Total: 3.73%
		Direct (through Honeyworth) ³	38,857,446	
		Indirect (through Honeyworth) ⁴	1,436,507	
C.J. Artemio V. Panganiban <i>Director</i>	Filipino	Direct	1	Total: 0.00%
		Indirect (through Deutsche)	6,000	
Monico V. Jacob <i>Independent Director</i>	Filipino	Direct	100	Total: 0.00%
		Indirect (through Deutsche)	-	
Cezar P. Consing <i>Independent Director</i>	Filipino	Direct	1	Total: 0.00%
		Indirect (through Deutsche)	-	

Security Ownership of Corporate Officers (as of April 30, 2017):

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Ysmael V. Baysa <i>Chief Financial Officer, Vice President for Corporate Finance</i>	Filipino	Direct	811,667	Total: 0.08%
		Indirect (through Deutsche)	-	
Daniel Rafael Ramon Gomez III <i>Chief Marketing Officer</i>	Filipino	Direct	25,090	Total: 0.00%
		Indirect (through Deutsche)	-	
Valerie F. Amante <i>Assistant Corporate Secretary; Vice President; Head Corporate Legal and Head, Corporate Ethics</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	-	

Security Ownership of Heads of Local Units (as of April 30, 2017):

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Justo S. Alano III <i>President, Jollibee Business</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	-	

³As disclosed in Antonio Chua Poe Eng's SEC Form 23-B.

⁴As disclosed in Antonio Chua Poe Eng's SEC Form 23-B.

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Rowel D. Vijandre <i>President, Chowking Business</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	-	
Albert C. Cuadrante <i>President, Greenwich Business</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	-	
Zinnia Carmencita S. Rivera <i>General Manager, Red Ribbon Business</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	1,050	
Jose Alexander P. Subido <i>General Manager, Mang Inasal Business</i>	Filipino	Direct	500	Total: 0.00%
		Indirect (through Deutsche)	-	
Joan K. Aquino <i>General Manager, Burger King Business</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	7,000	

Security Ownership of Heads of Corporate Units (as of April 30, 2017):

Name and Position	Citizenship	Nature of Beneficial Ownership	Number of Shares	Percent of Class
Fernando S. Yu, Jr. <i>Chief Business Support Officer</i>	Filipino	Direct	26,000	Total: 0.00%
		Indirect (through Deutsche)	-	
Susana K. Tanmantiong <i>Chief Procurement Officer</i>	Filipino	Direct	1,026,857	Total: 0.11%
		Indirect (through Deutsche)	138,000	
Anastacia S. Masancay <i>Vice President – Special Projects</i>	Filipino	Direct	300,000	Total: 0.07%
		Indirect (through Deutsche)	446,000	
Lorna D. Atun <i>Assistant Vice President – Corporate Audit</i>	Filipino	Direct	-	Total: 0.00%
		Indirect (through Deutsche)	12,500	

The aggregate number of shares directly owned by all officers and directors as a group as of April 30, 2017 is 27,642,182 shares or approximately 2.56% of Company's outstanding capital stock (net of treasury shares).

There is no voting trust agreement or any similar agreement for persons holding more than 5% of a class.

There are no arrangements which may result in a change in control of the Company.

- (e) There has been no change in control of the Company since the beginning of its last fiscal year.

DIRECTORS AND EXECUTIVE OFFICERS

(a) Directors and Executive Officers

The Company's directors are:

Tony Tan Caktiong

Mr. Tan Caktiong, born in 1953, 64, Filipino, is the Chairman of the Board of Directors of the Company. He has been a member of the Board since 1978, and was President and Chief Executive Officer of the Company until July 1, 2014, after which he continued to serve as Chairman of the Board. Mr. Tan Caktiong is also a member of the Executive, Nomination and Compensation Committees of the Board of Directors.

Other directorships and trusteeships are:

Listed Companies

Director and Co-chairman	DoubleDragon Properties Corp.
Independent Director	First Gen Corporation

Non-listed Companies

Director	Fresh N' Famous Foods, Inc.
Director	Mang Inasal Phils. Inc.
Director	Coffeetap Corporation ⁵
Director	BK Titans, Inc.
Director	PFN Holdings Corporation
Director	Perf Restaurants, Inc.
Director	Perf Trinoma, Inc.
Director	Perf MOA Pasay, Inc.
Director	RRB Holdings, Inc.
Director	Red Ribbon Bakeshop, Inc.
Director	Honeystar Holdings Corporation
Director	Chanceux, Inc.
Director	Honeybee Foods Corp.
Director	Red Ribbon Bakeshop Inc. (USA)
Director	Chowking Food Corporation (USA)
Director	Jollibee Worldwide Pte. Ltd.
Director	Belmont Enterprises Ventures Ltd.
Director	Jollibee International (BVI) Ltd.
Director	WJ Investments Limited
Director	JSF Investments Pte. Ltd.
Director	Golden Cup Pte. Ltd.
Director	Golden Plate Pte. Ltd.
Director	Golden Beeworks Pte. Ltd.
Director	SF Vung Tau Joint Stock Company
Director	Blue Sky Holdings Ltd.

⁵ Pending dissolution.

Director	Southsea Binaries Limited
Director	Happy Bee Foods Processing Pte. Ltd.
Director	Jollibee (China) Food & Beverage Management Co. Ltd.
Director	Guangxi San Pin Wang Food & Beverage Co. Ltd.
Director	Beijing New Hongzhuangyuan Food & Beverage Management Co. Ltd.
Director	Hangzhou Yonghe Food and Beverage Co. Ltd.
Director	Hangzhou Yongtong Food and Beverage Co. Ltd.
Director	Tianjin Yong He King Food & Beverage Co. Ltd.
Director	Beijing Yong He King Food and Beverage Co. Ltd.
Director	Shenzhen Yong He King Food and Beverage Co. Ltd.
Director	Wuhan Yong He King Food and Beverage Co. Ltd.
Director	Happy Bee Foods Processing (Anhui) Co. Ltd.
Director	12 Sabu (Shanghai) Food & Beverage Management Co. Ltd.
Director	Yong He Holdings Co. Ltd.
Director	Centenary Ventures Limited
Director	Shanghai Belmont Enterprises Management & Adviser Co. Ltd. ⁶
Director	Honeysea Corporation
Director	Hyper Dynamic Corporation
Director	Mainspring Resources Corporation
Director	Mary's Foods Corporation
Director	Winall Holding Corporation
Director	Imperial Premium Treasures, Inc.
Director	Queenbee Resources Corporation
Director	Centregold Corporation
Board Director	Temasek Foundation International CLG Limited
Trustee	Jollibee Group Foundation, Inc.
Trustee	Philippine Academy of Sakya
Trustee	Asian Institute of Management Alumni Leadership Foundation, Inc.
Trustee	St. Luke's Medical Hospital
Member	International Advisory Board, The Philharmonic-Symphony Society of New York, Inc.

William Tan Untiong

Mr. Tan Untiong, born in 1953, 63, Filipino, has been the Corporate Secretary of the Company since 1994, and a member of the Board since 1993. He is a member of the Executive, Nomination and Audit Committees of the Board of Directors.

Mr. Tan Untiong has also been the Vice President for Real Estate since 1989. Effective January 1, 2014, Mr. Tan Untiong is the Chief Real Estate Officer of JFC.

Other directorships and trusteeships are:

Listed Companies

Director	Doubledragon Properties Corp.

Non-listed Companies

Director	Fresh N' Famous Foods Inc.
Director	Mang Inasal Phils. Inc.

⁶ Pending deregistration.

Director	Coffeetap Corporation ⁷
Director	BK Titans, Inc.
Director	RRB Holdings, Inc.
Director	Red Ribbon Bakeshop, Inc.
Director	Grandworth Resources Corporation
Director	Zenith Foods Corporation
Director	Honeystar Holdings Corporation
Director	Chanceux, Inc.
Director	Honeybee Foods Corp.
Director	Red Ribbon Bakeshop Inc. (USA)
Director	Chowking Food Corporation (USA)
Director	Adgraphix, Inc.
Director	Belmont Enterprises Ventures Ltd. (BVI)
Director	Golden Plate Pte. Ltd.
Director	JSF Investments Pte. Ltd.
Director	Jollibee (China) Food & Beverage Management Co. Ltd.
Director	Hangzhou Yong He Food and Beverage Co. Ltd.
Director	Tianjin Yong He King Food & Beverage Co. Ltd.
Director	Beijing Yong He King Food and Beverage Co. Ltd.
Director	Shenzhen Yong He King Food and Beverage Co. Ltd.
Director	Wuhan Yong He King Food and Beverage Co. Ltd.
Director	Yong He Holdings Co. Ltd.
Director	Centenary Ventures Limited
Director	WJ Investments Limited
Director	JC Properties & Ventures Corporation
Director	Jollimart Corporation
Director	Centregold Corporation
Director	Winall Holding Corporation
Director	Iconnect Multimedia Network, Inc.
Director	Metroguards Security Agency Corp.
Director	Honeyworth Corporation
Director	Mainspring Resources Corporation
Director	Queenbee Resources Corporation
Director	Hyper Dynamic Corporation
Director	Kingsworth Corporation
Director	Honeysea Corporation
Trustee	Jollibee Group Foundation, Inc.

Ernesto Tanmantiong

Mr. Tanmantiong, born in 1958, 58, Filipino, is the President and Chief Executive Officer of the Corporation, effective January 1, 2014. He has been a member of the Board since 1987, and previously served as the Treasurer and Chief Operating Officer of the Company. He is also a member of the Executive and Nomination Committees of the Board of Directors.

Other directorships⁸ and trusteeships are:

Director	Fresh N' Famous Foods, Inc.
Director	BK Titans, Inc.
Director	Red Ribbon Bakeshop, Inc.
Director	RRB Holdings, Inc.

⁷ Pending dissolution.

⁸ Non-listed companies.

Director	Honeybee Foods Corp.
Director	Red Ribbon Bakeshop Inc. (USA)
Director	Chowking Food Corporation (USA)
Director	Honeystar Holding Corporation
Director	Chanceux, Inc.
Director	Adgraphix, Inc.
Director	Grandworth Resources Corp.
Director	Jollimart Corporation
Director	EST58 Corporation
Director	Jollibee Worldwide Pte. Ltd.
Director	Belmont Enterprises Ventures Ltd.
Director	Jollibee International (BVI) Ltd.
Director	Jollibee Hong Kong Ltd.
Director	Hanover Holdings Ltd.
Commissioner	P.T. Jollibee Indonesia
Director	Jollibee Vietnam Co. Ltd.
Commissioner	P.T. Chowking Indonesia
Director	Golden Cup Pte. Ltd.
Director	Golden Plate Pte. Ltd.
Director	Golden Beeworks Pte. Ltd.
Director	Happy Bee Foods Processing Pte. Ltd.
Director	Jollibee (China) Food & Beverage Management Co. Ltd.
Director	Hangzhou Yonghe Food and Beverage Co. Ltd.
Director	Tianjin Yong He King Food & Beverage Co. Ltd.
Director	Beijing Yong He King Food and Beverage Co. Ltd.
Director	Wuhan Yonghe King Food and Beverage Co. Ltd.
Director	Yong He Holdings Co. Ltd.
Director	Centenary Ventures Limited
Director	Kingsworth Corporation
Director	Tutuban Chow Foods Corporation
Director	Imperial Premium Treasures, Inc.
Director	Honeystar Holdings Corporation
Director	Hyper Dynamic Corporation
Director	Mary's Foods Corporation
Director	Centregold Corporation
Director	Honeysea Corporation
Director	Queenbee Resources Corporation
Director	Winall Holding Corporation
Director	Metroguards Security Agency Corp.
Director	Mainspring Resources Corporation
Trustee	Jollibee Group Foundation, Inc.

Joseph C. Tanbuntiong

Mr. Tanbuntiong, born in 1963, 53, Filipino, was elected to the Board in 2013. He was elected as the Company's Treasurer on June 27, 2014. He is a member of the Executive and Compensation Committees of the Board of Directors.

Mr. Tanbuntiong joined the Company in 1993 and is the Head, Country Business Group – Philippines for the Jollibee Group of Companies. He was previously President of the Jollibee Business Unit (Philippines).

Other directorships are:

Listed Companies

Director	DoubleDragon Properties Corp.

Non-listed Companies

Director	Red Ribbon Bakeshop, Inc.
Director	RRB Holdings, Inc.
Director	BK Titans, Inc.
Director	Perf Restaurants, Inc.
Director	Perf MOA Pasay, Inc.
Director	Perf Trinoma, Inc.
Director	PFN Holdings Corporation
Director	Honeystar Holdings Corporation
Director	Jaysforjay, Inc.
Trustee	Jollibee Group Foundation, Inc.

Ang Cho Sit

Mr. Ang, born in 1950, 66, Filipino, has been a member of the Board since 1978. He is a member of the Compensation Committee of the Board of Directors.

Other directorships⁹ are:

Director	Freemont Foods Corp.
Director	Grandworth Resources Corporation
Director	A-Star Holding Company
Director	Longshore Corporation
Director	Hyper Dynamic Corporation
Director	Venice Corporation

Antonio Chua Poe Eng

Mr. Chua Poe Eng, born in 1947, 69, Filipino, has been a member of the Board since 1978. He is a member of the Audit Committee of the Board of Directors.

Other directorships¹⁰ are:

Chairman, President	Honeyworth Corporation
Director	Albany Resources Corporation
Director	Hyper Dynamic Corporation

Ret. Chief Justice Artemio V. Panganiban

Mr. Panganiban, born in 1936, 80, was elected to the Board of Directors in 2012. Mr. Panganiban was the Chief Justice of the Philippine Supreme Court from 2005 to 2006. Concurrent with his position as Chief Justice, he was also the Chairperson of the Presidential Electoral Tribunal, the Judicial and Bar Council and the Philippine Judicial Academy. Prior to

⁹ Non-listed corporations.

¹⁰ Non-listed corporations.

his elevation as Chief Justice in 2005, Mr. Panganiban was a Justice of the Supreme Court in 1995 to 2005.

Mr. Panganiban is a member of the Executive and Compensation Committees and is the Chairman of the Nomination Committee.

Other directorships and affiliations are:

Listed Companies

Independent Director	MERALCO
Independent Director	Petron Corporation
Independent Director	First Philippine Holdings Corp.
Independent Director	Philippine Long Distance Telephone Company
Independent Director	Metro Pacific Investment Corp.
Independent Director	Robinsons Land Corp.
Independent Director	GMA Network, Inc.
Independent Director	GMA Holdings, Inc.
Independent Director	Asian Terminals, Inc.
Senior Adviser	Metropolitan Bank and Trust Company
Adviser	Bank of the Philippine Islands
Adviser	DoubleDragon Properties Corp.

Non-listed Companies

Chairman	Pan Philippine Resources Corp.
Chairman	Peecee Realty, Inc.
Chairman, Board of Trustees	Foundation for Liberty and Prosperity
Chairman Emeritus	Philippine Dispute Resolution Center, Inc.
Independent Director	Metro Pacific Tollways Corp.
Independent Director	Tollways Management Corporation
Independent Director	Liberty Telecoms Holdings
Chairman of the Board of Advisers	Metrobank Foundation
Chairman, Board of Advisers	Metrobank Foundation
Chairman, Board of Trustees	Foundation for Liberty and Prosperity
Director	Team Energy Corporation
President	Manila Cathedral – Basilica Foundation
Adviser	Mapua Blue Falcon Honor Society
Adviser	Dela Salle University College of Law
Adviser	Asian Institute of Management Corporate Governance Center
Adviser	World Bank (Philippines)
Adviser	Johann Strauss Society
Adviser	University of Asia and the Pacific College
Trustee	Tan Yan Kee Foundation

Monico V. Jacob

Mr. Jacob, born in 1945, 71, Filipino, has been a member of the Board since 2000. Mr. Jacob is an Independent Director and is a member of the Nomination Committee of the Board of Directors. He is also the chairman of the Audit Committee.

Other directorships are:

Listed Companies

Independent Director	2 Go Group, Inc. (formerly Aboitiz Transport Systems, Inc.)
Independent Director	Lopez Holdings Corp.
Independent Director	Phoenix Petroleum Philippines, Inc.
Independent Director	Rockwell Land Corporation
Director	STI Education Systems Holdings, Inc.
Non-executive Director	Asian Terminals, Inc.

Non-listed Companies

Director	De Los Santos – STI MegaClinic
Director	Information and Communications Technology (i-Academy), Inc.
Director	Maestro Holdings, Inc. (formerly STI Investments, Inc.)
Independent Director	Negros Navigation Co., Inc.
Director	Philippines First Insurance Company, Inc.
Director	Philippine Life Financial Assurance, Inc.
Director	Philhealthcare, Inc.
Director	Rosehill Memorial Management, Inc.
Director	STI Education Services Group, Inc.
Director	Total Consolidated Asset Management, Inc.

Cezar P. Consing

Mr. Consing, born in 1959, 57, Filipino, was elected as an Independent Director of the Company in 2010. He is a member of the Compensation and Audit Committees of the Board of Directors.

Mr. Consing is the President and Chief Executive Officer of the Bank of the Philippine Islands. From 2004 to 2013, Mr. Consing was a partner with The Rohatyn Group, a New York-based investment management company. From 1985 to 2004, he was an investment banker with J.P. Morgan & Co., and was head or co-head of Investment Banking in Asia Pacific (ex-Japan) from 1999 to 2004.

Other directorships are:

Listed Companies

Director	Bank of the Philippine Islands
Director	National Reinsurance Corp. of the Philippines (PhilNare)

Non-listed Companies

Director	BPI Family Savings Bank, Inc.
Chairman / Director	BPI Direct BankO, Inc.
Chairman / Director	BPI/MS Insurance Corp.
Director	BPI-Philam Life Assurance Corp.
Vice-Chairman	BPI Capital Corp.
Chairman	BPI Europe PLC
Director	BPI Asset Management and Trust Corporation
Chairman	BPI Century Tokyo Lease & Finance Corp.
Chairman	BPI Century Tokyo Rental Corp.
Vice-Chairman	Board of Trustees, BPI Foundation, Inc.
Chairman	BPI Computer Systems Corp.
Director	LGU Guarantee Corp.

Chairman / Director	Filgifts.com
Board Partner	TRG Management Principals LP
Director	Sqreem Technologies Private Ltd.
Director	Endeavor Philippines

Independent Adviser – Board of Directors

Mr. Washington SyCip is an Independent Adviser to the JFC Board of Directors.

Assistant Corporate Secretary

Valerie Feria Amante

Atty. Amante, born in 1974, 42, Filipino is the Assistant Corporate Secretary of the Company. She is also Vice-President; Head, Corporate Legal and Head, Corporate Ethics. She joined the Company in January 2007. She was previously connected with Ayala Land, Inc. and previous to that, SyCip Salazar Hernandez & Gatmaitan.

Attendance in Board Meetings in 2016

For the year 2016, the Board of Directors met ten (10) times. Mr. William Tan Untiong had five (5) absences; Messrs. Joseph Tanbuntiong, Ang Cho Sit, Antonio Chua Poe Eng and Cezar P. Consing had two (2) absences each; Messrs. Tony Tan Caktiong, Ret. Chief Justice Artemio V. Panganiban and Monico V. Jacob had one (1) absence each.

Independent Directors

Pursuant to SEC Memorandum Circular No. 4, series of 2017, a company's independent director shall serve for a maximum cumulative term of nine (9) years. It further provides that the reckoning of the cumulative nine-year term is from 2012. The independent directors of the Company have not yet exceeded the maximum term limit.

The Certifications of Independent Directors are attached hereto as **Annex "D"**.

The Company's directors were nominated and voted for by the stockholders during the Company's Annual Stockholders' Meeting on July 22, 2016.

CORPORATE OFFICERS

The Company's Corporate Officers are Messrs. Tony Tan Caktiong, Ernesto Tanmantiong, William Tan Untiong, Joseph Tanbuntiong, Ysmael V. Baysa and Daniel Rafael Ramon Z. Gomez III.

Ysmael V. Baysa

Mr. Baysa, born in 1956, 61, Filipino, is Chief Financial Officer and Compliance Officer. He joined the Company in 2003. Previously, Mr. Baysa was Senior Vice-President for Financial Comptrollership, Human Resources and Corporate Planning of Union Bank. He was also Finance Director of Procter & Gamble from 1993 to 2001.

Daniel Rafael Ramon Z. Gomez III

Mr. Gomez, born in 1972, 44, Filipino, is Chief Marketing Officer. He joined the Company in July 2008. He was previously Managing Director for Skin, Deodorants and Home Care of Unilever Philippines and prior to that, Category Director for Skin & Deodorants in the same company.

SIGNIFICANT EMPLOYEES

Other than the mentioned directors and executive officers and the entire workforce of the Company, the Company has no employees expected to make a significant contribution to the business.

INVOLVEMENT IN LEGAL PROCEEDINGS

None of the directors, executive officers or nominees for election as director or executive officer has been involved for the past five (5) years in any litigation that would affect their integrity and ability to manage the Company.

(b) Certain Relationships and Related Transactions

Tony Tan Caktiong, Ernesto Tanmantiong, William Tan Untiong and Joseph Tanbuntiong are brothers. Ang Cho Sit is the brother-in-law of Tony Tan Caktiong. Susana K. Tanmantiong is the wife of Ernesto Tanmantiong and sister-in-law of Tony Tan Caktiong, William Tan Untiong and Joseph Tanbuntiong. Antonio Chua Poe Eng is the brother-in-law of Tony Tan Caktiong, Ernesto Tanmantiong, William Tan Untiong and Joseph Tanbuntiong. Grace A. Tan is the wife of Tony Tan Caktiong.

Some of the Company's directors own franchises or have minority interests in companies which own and operate franchised stores of the Company. All such franchises are subject to contracts which have been entered into in on an arms-length basis and on terms similar to those granted to other franchisees.

The Company has no parent company.

The Company has no transaction with promoters.

- (c) No Director has resigned or declined to stand re-election to the Board of Directors since the date of the last annual meeting.

NOMINATION AND ELECTION PROCEDURES

Article III of the Company's By-laws provide:

Section 12. **NOMINATION OF DIRECTORS.** The Board shall constitute a Nomination Committee in accordance with Article IV, Section 9 of these By-Laws.

Nomination to the Board of Directors (including the independent director) shall be submitted to the Nominations Committee for consideration by the latter prior to the annual meeting of the stockholders or a special meeting called for the purpose of electing the Corporation's Directors. All such submissions shall be signed by the stockholders nominating a particular nominee together with the written acceptance of such nominee. The Nominations Committee shall review the qualifications of the nominees for directors and prepare a final list of candidates. (As amended on June 27, 2008).

After such nomination process, the Nominations Committee shall prepare a Final List of Candidates containing all information about all nominees for directors. All nominations for election of Directors by stockholders must be submitted in writing to the Corporate Secretary at least Fifteen (15) Business Days prior to the date of the relevant stockholders' meeting.

The Final List of Candidates shall be made available to the Securities and Exchange Commission ("SEC") and to all stockholders through the Information or Proxy Statement. The name of the person or group of persons who submitted a particular nominee's name shall be identified in such report including any relationship with the nominee.

Only nominees whose names appear on the Final List of Candidates shall be eligible for election as directors. No other nominations shall be entertained or allowed on the floor during the annual stockholders meeting. (As amended on June 27, 2008).

Section 13. **ELECTION OF DIRECTORS.** Subject to existing laws, rules and regulations of the SEC or any stock exchange having jurisdiction over the Company, the conduct of election of directors shall be made in accordance with the standard election procedures contained in these By-Laws.

It shall be the responsibility of the Chairman of the meeting to inform all stockholders of the requirement of electing independent directors. The Chairman of the Meeting shall ensure that the independent director is elected during the stockholders' meeting.

Specific slots for independent Directors shall not be filled up by unqualified nominees. (As amended on June 27, 2008).

The nine (9) directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the

number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates. The persons receiving the first nine (9) highest number of votes shall be the directors. (As amended on June 27, 2008).

In the event of a failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy. (As amended on June 24, 2005)

NOMINEES FOR DIRECTORS

As of the preparation of this Report, all the above incumbent members of the Board of Directors, including the independent directors, are the Management's nominees for re-election in the next election for membership in the Board. None of the nominating directors are related to the nominee for the independent director.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Pursuant to Part IV, Paragraph (B) of Annex C of SRC Rule 12, below is a summary compensation table of the Chief Executive Officer and the four (4) most highly compensated officers of the Company:

Name and Position	Year	Salary (PhP)	Bonus (PhP)	Total (PhP)
Tony Tan Caktiong <i>Chairman</i>				
Ernesto Tanmantiong <i>President and Chief Executive Officer</i>	2015	93,581,843.00	38,086,879.00	131,668,722.00
Joseph Tanbuntiong <i>Treasurer</i>	2016	101,283,470.00	56,892,767.00	158,176,237.00
Ysmael V. Baysa <i>Chief Financial Officer</i>	2017*	110,078,820.00	60,554,900.00	170,633,720.00
Daniel Rafael Ramon Gomez III <i>Chief Marketing Officer</i>				
All other officers and directors as a group unnamed	2015	393,351,573.00	156,376,456.00	549,728,029.00
	2016	519,395,153.00	267,943,956.00	787,339,109.00
	2017*	597,327,953.00	296,743,976.00	894,071,929.00

*Estimates

COMPENSATION OF DIRECTORS

Standard Arrangements

Directors of the Company receive a per diem of PhP60,000.00 for attendance in a Board meeting. Board meetings are scheduled monthly. A director who attends all regular meetings earns a total of PhP720,000.00 annually. In addition, the Company instituted a performance-based incentive for its directors. The incentive shall be determined by the Compensation Committee.

Other Arrangements

The Company has no other arrangements pursuant to which a director is compensated or to be compensated, directly or indirectly.

Employment Contracts

The Company maintains standard employment contracts with executive officers. The contracts provide for annual salary increases and bonuses. Other than these employment contracts, there are no special compensatory plans or arrangements which results from the resignation, retirement or any other termination of employment of executive officers other than the Company's retirement plan which is made applicable to all of the Company's employees.

Senior Management Stock Option and Incentive Plan

On December 17, 2002, the SEC approved the exemption requested by the Jollibee Group on the registration requirements of the 101,500,000 options underlying the Parent Company's common shares to be issued pursuant to the Jollibee Group's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the Jollibee Group.

The Plan is divided into two programs, namely, the Management Stock Option Program (MSOP) and the Executive Long-term Incentive Program (ELTIP). The MSOP provides a yearly stock option grant program based on company and individual performance while the ELTIP provides stock ownership as an incentive to reinforce entrepreneurial and long-term ownership behavior of executive participants.

MSOP. The MSOP is a yearly stock option grant program open to members of the senior management committee of the Jollibee Group and members of the management committee, key talents and designated consultants of some of the business units.

Each MSOP cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. Vesting is conditional on the employment of the employee-participants in the Jollibee Group within the vesting period. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date until the third anniversary.

The exercise price of the stock options is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of grant for the 1st up to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the market closing price at date of grant.

For instance, on July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the grant date. One-third of the options granted, or 795,000 options, vested and exercised starting July 1, 2005. The options have expired on June 30, 2012. From July 1, 2005 to 2016, the Compensation Committee granted series of MSOP grants under the 2nd to 13th MSOP cycle to eligible participants.

On September 9, 2016, the Compensation Committee granted 2,865,500 options under the 13th MSOP cycle to eligible participants. These options are similar to the 1st MSOP cycle. The 2nd, 3rd, 4th and 5th MSOP cycles expired on June 30, 2013, 2014, 2015 and 2016, respectively.

The movements in the number of stock options outstanding and related weighted average exercise prices (WAEP) are as follows:

	2016		2015		2014	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options granted as at end of year	42,986,294	₱92.47	40,120,794	₱82.22	36,863,194	₱73.58
Outstanding at beginning of year	14,868,437	₱133.32	13,609,275	₱117.51	16,915,937	₱83.77
Options granted during the year	2,865,500	236.00	3,257,600	179.99	3,459,000	178.66
Options exercised during the year	(2,259,125)	87.40	(1,380,628)	100.42	(6,765,662)	63.57
Options forfeited during the year	(218,614)	129.31	(617,810)	104.73	—	—
Outstanding at end of year	15,256,198	₱159.46	14,868,437	₱133.32	13,609,275	₱117.51
Exercisable at end of year	9,141,965	₱128.20	8,262,670	₱100.95	6,865,265	₱79.42

The weighted average share price of the Parent Company common shares is ₱227.53, ₱206.05 and ₱181.34 in 2016, 2015 and 2014, respectively. The weighted average remaining contractual life for the stock options outstanding as at December 31, 2016, 2015 and 2014 is 5.17 years, 5.19 years and 5.83 years, respectively.

The weighted average fair value of stock options granted in 2016, 2015 and 2014 is ₱31.16, ₱26.13 and ₱32.39, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because the option plan allows exercise before the expiry date.

The inputs in the valuation of the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2 nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3 rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4 th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5 th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6 th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7 th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8 th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9 th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10 th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11 th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13 th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

ELTIP. The ELTIP entitlement is given to members of the senior management committee and designated consultants of the Jollibee Group.

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Actual grant and vesting is conditional upon achievement of the Jollibee Group's medium to long-term goals and individual targets in a given period, and the employment of the employee-participants in the Jollibee Group within the vesting period. If the goals are achieved, the options will be granted. For the 3rd ELTIP cycle, a percentage of the options to be granted are based on the percentage of growth in annual

earnings per share such that 100%, 50% or 25% of the options granted when percentage of growth in annual earnings per share are 12% and above, 10% to less than 12% or 8% to less than 10%, respectively. For the 4th ELTIP cycle, the percentage of the options to be granted and the targeted percentage of growth in annual earnings per share have been further revised such that 150%, 100% or 50% of the options granted when percentage of growth in annual earnings per share are 15% and above, 12% to less than 15% or 10% to less than 12%, respectively.

The exercise price of the stock options under ELTIP is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of entitlement for the first and second ELTIP cycles. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as of the date of entitlement.

The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals were achieved. For instance, on July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. One-third of the options granted, or 7,583,333 options, vested and exercised starting July 1, 2007. The options have expired on June 30, 2012. On July 1, 2008, October 19, 2012 and August 25, 2015, entitlement to 20,399,999, 24,350,000 and 11,470,000 options were given to eligible participants under the 2nd, 3rd and 4th ELTIP cycles, respectively.

The Jollibee Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding for the 2nd to 4th ELTIP cycles and related WAEP for the years ended December 31, 2016, 2015 and 2014 follow:

	2016		2015		2014	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options given as at end of year	78,969,999	₱74.58	78,969,999	₱74.58	67,499,999	₱56.66
Outstanding at beginning of year	38,344,999	₱117.74	31,270,560	₱90.06	37,186,110	₱82.51
Options granted during the year	–	–	11,470,000	180.00	–	–
Options exercised during the year	(2,892,770)	59.59	(3,728,468)	79.46	(5,665,977)	39.85
Options forfeited during the year	(333,333)	105.00	(667,093)	105.00	(249,573)	105.00
Outstanding at end of year	35,118,896	₱122.65	38,344,999	₱117.74	31,270,560	₱90.06
Exercisable at end of year	15,615,420	₱89.60	10,808,048	₱70.59	7,170,133	₱39.85

The weighted average remaining contractual life for the stock options outstanding as of 2016, 2015 and 2014 is 4.00 years, 4.85 years and 4.85 years, respectively.

The fair value of stock options granted is ₱26.13 in 2015 and ₱22.96 in 2014. There were no additional stock option grants under ELTIP in 2016. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The stock options granted under the 2nd, 3rd and 4th ELTIP cycles will expire on April 30, 2017, 2020 and 2023, respectively.

The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

ELTIP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2 nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3 rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00
4 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The cost of the stock options expense charged to operations for both MSOP and ELTIP in the “General and administrative expenses” account amounted to ₱241.3 million, ₱173.2 million and ₱166.5 million in 2016, 2015 and 2014, respectively (see Note 22). Correspondingly, a credit was made to additional paid-in-capital.

Warrants Outstanding

There are no outstanding warrants held by the Chief Executive Officer, other officers and directors as a group.

INDEPENDENT PUBLIC ACCOUNTANTS

The accounting firm of SyCip Gorres and Velayo (“SGV”) with address at SGV Building, 6760 Ayala Avenue, Makati City, has been the Company’s External Auditors for the past 39 years. SGV is expected to be represented in the coming Annual Stockholders’ Meeting with an opportunity to make any statements, if they so desire, and will be available to respond to appropriate questions.

During the Annual Stockholders’ Meeting on June 30, 2017, it shall be proposed that SGV be appointed as the Company’s independent auditors.

COMPENSATION PLANS

There is no action to be taken with respect to any plan to which cash or non-cash compensation may be paid or distributed.

ISSUANCE AND EXCHANGE OF SECURITIES

There are no actions to be taken with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company, or with respect to the modification of any class of securities of the Company.

ACQUISITIONS, INVESTMENTS AND DIVESTMENTS

Acquisitions– United States of America (January 13, 2016)

On January 13, 2016, the Company disclosed the final purchase price for the acquisition from Smashburger Master LLC of 40% of Smashburger®, a fast casual better burger brand in the United States. This is in accordance with the post-closing adjustment mechanism under the agreement between the Company's wholly-owned subsidiary, Bee Good! Inc., and Smashburger Master LLC.

Acquisitions – People's Republic of China

On February 23, 2016, the Company disclosed that, through its wholly owned subsidiary Jollibee Worldwide Pte. Ltd. ("JWPL"), it entered into an agreement with Hua Xia Harvest Holdings Pte. Ltd. to acquire the latter's 30% equity shareholding in the Singapore joint venture entity – Happy Bee Foods Processing Pte. Ltd. ("Happy Bee"). Happy Bee owns 100% of the equity interests in Happy Bee Foods Processing (Anhui) Co. Ltd., a wholly foreign-owned enterprise incorporated in PRC that operates a food processing plant in Shucheng county in Anhui Province.

On November 23, 2016, the Company disclosed that it had obtained governmental and regulatory approvals in the PRC for the transfer of assets in Happy Bee Foods Processing in Anhui, China and completed the transfer of shares in Happy Bee in Singapore. The Company, through JWPL, now owns 100% of Happy Bee Foods Processing (Anhui) Co. Ltd. in Anhui, China.

Acquisition –Philippines (April 22, 2016)

On April 22, 2016, the Company disclosed that it acquired the remaining 30% stake in Mang Inasal Philippines Inc. ("MIPI") owned by Injap Investments, Inc., Mr. Edgar J. Sia II and Mr. Ferdinand J. Sia in line with the terms of the Shareholders' Agreement among MIPI shareholders dated November 22, 2010. With this purchase, JFC now owns 100% of MIPI.

Joint Venture –Philippines (May 24, 2016)

On May 24, 2016, the Company disclosed that it entered into an agreement with Cargill Philippines Inc., a wholly owned subsidiary of Cargill Inc., to build and operate a poultry processing plant in Santo Tomas, Batangas. The Company has a 30% stake in the joint venture.

Investment – Vietnam (November 18, 2016)

On November 18, 2016, the Company disclosed that it entered into an agreement through its subsidiary, JSF Investments Pte. Ltd. ("JSF"), with its joint venture partner, Viet Thai International Joint Stock Company ("VTI") to make its joint venture company, Superfoods Group a public company by listing it in the Vietnam Stock Exchange with an Initial Public Offering ("IPO") on or before July 2019. As part of the agreement to bring Superfoods into the Vietnam Stock Exchange, the ownership of Superfoods Group will be adjusted with JFC, through JSF, owning 60% of the joint venture, while VTI will own 40%.

Divestment – People's Republic of China

On December 12, 2016, the Company disclosed that its wholly owned subsidiary JWPL shall divest its shareholdings in Guangxi San Pin Wang Food and Beverage Company Limited (San Pin Wang). JWPL acquired 55% equity shares in San Pin Wang from Guangxi Zong Kai Food

Beverage Investment Company Limited (GZK) in March 2012. GZK will acquire JFC's 55% share and will pay JWPL a total of RMB90Million for JWPL's stake. JFC's divestment of its shareholdings in San Pin Wang is part of its intention to concentrate its resources on businesses with greater potential.

On December 30, 2016, the Company disclosed that JWPL completed divestment of its shareholdings in San Pin Wang. With the completion of the divestment, GZK is now the registered owner of 100% of San Pin Wang.

Divestment – United States of America

On December 15, 2016, the Company disclosed that its wholly owned subsidiary JWPL shall divest its shareholdings in Chow Fun Holdings LLC ("Chow Fun"). JWPL has 80.55% equity shares in Chow Fun. Chow Fun shall pay JWPL US\$1.6Million in readily available funds to redeem JWPL's 2,900 Class A Membership units.

On December 23, 2016, the Company disclosed that JWPL completed the divestment of its shareholdings in Chow Fun. JFC's divestment of its shareholdings in Chow Fun is part of its intention to concentrate its resources in building its larger businesses.

RESTATEMENT OF ACCOUNTS

There are no actions to be taken with respect to the restatement of any asset, capital or surplus account.

ACTION WITH RESPECT TO REPORTS

The following are included in the Agenda for the Annual Stockholders' Meeting for the approval of the stockholders:

1. Call to Order;
2. Certification by the Corporate Secretary on Notice and Quorum;
3. Reading and Approval of the Minutes of the last Annual Stockholders' Meeting;
4. Management's Report;
5. Approval of the 2016 Audited Financial Statements and Annual Report;

Proposed Resolution:

RESOLVED, that the stockholders of Jollibee Foods Corporation approve, as they hereby approve, the Consolidated Audited Financial Statements of Jollibee Foods Corporation for the year ended December 31, 2016 as audited by SyCip Gorres Velayo & Co., and the Annual Report for the year ended December 31, 2016.

6. Ratification of Actions by the Board of Directors and Officers of the Corporation;

Proposed Resolution:

RESOLVED, that the stockholders of Jollibee Foods Corporation (the "Corporation") approve, as they hereby confirm, ratify and approve the actions taken by the Board

of Directors and Officers of the Corporation, since the last annual stockholders' meeting held on July 22, 2016.

7. Election of Directors;
8. Appointment of External Auditors;

Proposed Resolution:

RESOLVED, that the stockholders of Jollibee Foods Corporation (the "Corporation") approve, as they hereby approve, the re-appointment of the firm of SyCip, Gorres, Velayo & Company as independent external auditors of the Corporation.

9. Other matters; and
10. Adjournment.

CORPORATE GOVERNANCE

The Board of Directors, Management and employees of Jollibee Foods Corporation commit themselves to the principles and best practices of corporate governance as contained in its Amended Manual on Corporate Governance, as filed on July 24, 2014, in compliance with SEC Memorandum Circular No. 9, series of 2014 and further acknowledge that the same may guide the attainment of the Company's values, mission and vision.

The Board of Directors, officers, employees and stockholders of the Company believe that corporate governance is a necessary component of sound strategic business management and will undertake every effort necessary to create awareness within the organization as soon as possible.

The Company has adapted implementing policies of the Manual on Corporate Governance. These policies have been approved by the Board of Directors and cover, among others, (i) membership of the Company's directors in other corporate boards, (ii) standard of conduct of the Board and Senior Management and Conflict of Interest policy; (iii) selection process for directors and senior management; (iv) major capital expenditures; (v) principles in developing remuneration policies, (vi) risk management, (vii) financial management policies and procedures, (viii) shareholder grievance procedure and (ix) an evaluation system for determining and measuring compliance with the Company's Manual on Corporate Governance.

To ensure adherence to corporate principles and best practices of good corporate governance, the Compliance Officer monitors compliance with the provisions and requirements of the Manual on Corporate Governance. The Company submitted its Annual Corporate Governance Report (Consolidated Changes for 2016) on March 27, 2017.

MATTERS NOT REQUIRED TO BE SUBMITTED

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

OTHER PROPOSED ACTIONS

There are no other actions to be taken with respect to any other matter not specifically referred to above.

VOTING PROCEDURES

a) Voting Requirement

1) For election of Directors

Pursuant to Section 24 of the Corporation Code, candidates receiving the highest number of votes shall be declared elected.

2) For election of External Auditors

The nominee receiving the highest number of votes shall be declared as elected.

3) For approval and ratification of all the acts of Management and the Board of Directors for the period from July 22, 2016 to June 29, 2017.

Majority vote of the stockholders present or represented at the 2017 Meeting shall carry the vote.

b) Voting Method

Counting of the Ayes and Nays or showing of hands shall be the method by which votes will be counted unless a stockholder requests balloting, in which case, the votes of the stockholders shall be cast by ballot. Votes shall be counted by SGV and the Corporate Secretary who shall serve as members of the Committee on Elections.

UNDERTAKING

The Company undertakes, upon written request of the stockholder, to provide such stockholder with a copy of the SEC Form 17-A and SEC Form 17-Q for 2017 First Quarter, free of charge, except for exhibits attached thereto which shall be charged at cost. Written requests for copies of the SEC Form 17-A and SEC Form 17-Q for 2017 First Quarter shall be addressed to:

Jollibee Foods Corporation
10/F Jollibee Plaza Building
10 F. Ortigas Jr. Avenue, Ortigas Center,
Pasig City

Attention: Mr. William Ta`n Untiong
Office of the Corporate Secretary

SIGNATURE PAGE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized, this 15 MAY 2017 in Pasig City.

JOLLIBEE FOODS CORPORATION

Issuer

By:**WILLIAM TAN UNTIONG**

Corporate Secretary

Annex “A”

Management Report

ANNEXES

The attachments to this Information Statement are the following:

Annex	Document
A	Management Report
A-1	Management Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2016
A-2	Management Discussion and Analysis of Results of Operations and Financial Condition for the quarter ended March 31, 2017
A-3	Business Description of the Company
A-4	List of Local and International Trademarks
A-5	Discussion on Properties, Legal Proceedings and Financial Information
B	Summary of Resolutions of the Board of Directors and Executive Committee since the Last Annual Stockholders' Meeting
C	Financial Statements <i>Note: The Statement of Management Responsibility is duly marked with blue-colored tab while the page showing the stamped received marking of both BIR and SEC is duly marked with a green-colored tab.</i>
C-1	Audited Consolidated Financial Statements for the year ended December 31, 2016
C-2	Audited Parent Financial Statements for the year ended December 31, 2016
C-3	Interim Financial Statements for the quarter ended March 31, 2017
D	Certifications of Nominee as an Independent Director
D-1	Certification and Curriculum Vitae of Mr. Monico V. Jacob
D-2	Certification and Curriculum Vitae of Mr. Cezar P. Consing

MANAGEMENT REPORT

FINANCIAL STATEMENTS

The audited financial statements of the Company are attached herein as **Annexes “C-1” and “C-2”** while the results of the operations for the quarter ended March 31, 2017 is attached herein as **Annex “C-3”**.

EXTERNAL AUDIT FEES

The audit and audit-related fees cover professional services related to the performance of the audit or review of the Company’s annual financial statements by the external auditor. The Audit Committee reviews and approves the audit and non-audit services rendered by the Company’s external auditors to ensure that the Company does not engage the external auditors for certain non-audit services expressly prohibited by regulations of the Securities and Exchange Commission to be performed by an external auditor for its audit clients. The proposal of external auditors for professional services was submitted to, and reviewed by, the Audit Committee which, in turn, is endorsed to the Board of Directors for approval.

For the 2016 audit, the aggregate fee for professional services rendered by the external auditors is approximately PhP18.5 Million. For the 2015 audit, the aggregate fee for professional services rendered by the external auditors is approximately PhP17.5 Million.

Tax Fees: In 2016 and 2015, fees for professional services rendered by the external auditors for tax accounting, compliance, advise and other tax services are included in the external audit fees.

Other Fees: There are no other fees billed for 2016 and 2015 professional services rendered by external auditors other than those mentioned above.

Annex “A-1”

Management Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2016

**MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2016**

JOLLIBEE FOODS CORPORATION (JFC) AND SUBSIDIARIES

**Management Discussion and Analysis of
Results of Operations and Financial Condition**

The following Management Discussion and Analysis should be read in conjunction with the submitted Audited Consolidated Financial Statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new PFRS and amendments to existing PFRS which became effective on January 1, 2016.

Please refer to Note 2 of the attached Audited Consolidated Financial Statements for the Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation.

Causes for Any Material Changes (Increase or decrease of 5% or more in the financial statements)

Results of Operations

For Year Ended December 31, 2016 vs. December 31, 2015

(All Amounts are in Million Pesos)

Revenues and System Wide Sales

	Year Ended December 31		Change	
	2016	2015	Amount	Pct
System Wide Sales	149,142.1	130,732.9	18,409.2	14.1%
Revenues	113,907.8	100,779.7	13,128.1	13.0%

System wide sales, a measure of all sales to consumers, both from company-owned and franchised stores grew by 14.1% in 2016 compared to 2015, even without acquiring a new business. The sales increase was driven by global store network expansion, which accounted for 6.4% while same store sales growth on a worldwide basis contributed 8%. Same store sales growth pertains to restaurants that were already open for at least 15 months. It excludes sales growth from new store opening.

System wide sales of the Philippine business grew by 15.5%, supported by same store sales growth of 8.3% driven by higher customer traffic and higher amount of purchases per visit per customer compared with a year ago. Store network grew by 6.7% versus 2015 against a historical organic network growth of 4%. All six brands of Jollibee Foods Corporation (JFC) in the Philippines: Jollibee, Chowking, Greenwich, Red Ribbon, Mang Inasal and the Burger King franchise grew strongly, with each one's system wide sales increasing by double-digit percentage over those of 2015. Each of JFC's owned brand in the Philippines is a market leader in its particular food category segment.

JFC's businesses abroad had mixed performance, however. Southeast Asia grew by 39.4% led by Singapore which delivered a 55.9% growth and Vietnam with 47.4%. The Middle East business rose by 22.1% while the United States increased by 15.6%. China's sales were flat as the business experienced challenges during most part of the year, but was able to recover in the fourth quarter.

Consolidated revenues, which consist of sales from company-owned stores, fees from stores operated by franchisees and commissary sales from stores operated by franchisees grew by 13.0% in 2016 compared to 2015.

The Jollibee Group opened 342 stores, the highest number of store opening in a single year in JFC's history, broken down as follows; in the Philippines, 244 new stores; in the People's Republic of China 60; in the United States 7; in Southeast Asia and the Middle East 31 for a total of 98 new stores in foreign operations. The JFC Group also completed on December 30, 2016 the divestment of San Pin Wang (China) which had 72 stores and Jinja Bar with 3 stores. It ended the year with 3,253 stores, 4.3% higher than a year ago.

Cost of Sales

Consolidated cost of sales for the year 2016 increased to ₱92,815.5 million, which is ₱9,923.8 million or 12.0% higher than consolidated cost of sales for the year 2015. The following table summarizes the breakdown of the Jollibee Group's cost of sales for the years ended December 31, 2016 and 2015 and the percentage of each component and the consolidated cost of sales to consolidated revenues:

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
COST OF SALES						
Cost of inventories	54,475.0	49,202.3	5,272.7	10.7%	47.8%	48.8%
Personnel costs:						
Salaries, wages and benefits	10,472.7	9,870.7	602.0	6.1%	9.2%	9.8%
Pension expense	171.5	153.3	18.2	11.9%	0.2%	0.2%
Rent	8,234.5	7,450.9	783.6	10.5%	7.2%	7.4%
Contracted services	4,875.1	3,194.3	1,680.8	52.6%	4.3%	3.2%
Electricity and other utilities	4,022.8	3,808.1	214.7	5.6%	3.5%	3.8%
Depreciation and amortization	3,542.6	3,084.2	458.4	14.9%	3.1%	3.1%
Supplies	2,155.0	1,887.5	267.5	14.2%	1.9%	1.9%
Repairs and maintenance	1,327.9	1,107.7	220.2	19.9%	1.2%	1.1%
Security and janitorial	638.3	502.9	135.4	26.9%	0.6%	0.5%
Communication	190.8	160.5	30.3	18.9%	0.2%	0.2%
Professional fees	35.0	25.3	9.7	38.3%	0.0%	0.0%
Entertainment, amusement and recreation	33.2	33.0	0.2	0.6%	0.0%	0.0%
Others	2,641.1	2,411.0	230.1	9.5%	2.3%	2.4%
	92,815.5	82,891.7	9,923.8	12.0%	81.5%	82.3%

See Note 21 to the accompanying Audited Consolidated Financial Statements for details.

- Consolidated cost of inventories increased at a slower rate compared to revenues. As a percentage of revenues, consolidated cost of inventories decreased due to slight price adjustments implemented in the Philippines even as raw material prices remained stable.
- The increase in consolidated store and manufacturing costs was driven mainly by the increase (+52.6%) in contracted services as the Jollibee Group took proactive steps to adapt to the changing requirements of the Department of Labor and Employment (DOLE). Combined personnel costs of the Jollibee Group employees, contracted services and SEEDs increased only by 16.2% to ₱15,928.0 million, 14.0% of consolidated revenues in 2016 compared to 13.6% of consolidated revenues in 2015.

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
Personnel costs	10,644.2	10,024.0	620.2	6.2%	9.3%	9.9%
Contracted services	4,875.1	3,194.3	1,680.8	52.6%	4.3%	3.2%
Project SEEDS*	408.7	484.0	(75.3)	-15.6%	0.4%	0.5%
	15,928.0	13,702.3	2,225.7	16.2%	14.0%	13.6%

*SEEDS stands for Skills Enhancement and Educational Development for Students, a joint project of JFC and the Department of Labor and Employment. The program aims to help qualified students pursue post-secondary education through the provision of financial assistance to enable students to acquire job competencies --- skills, attitudes and work values through in-store training, thus enhancing employability upon completion of post-secondary. Expenses related to the SEEDS Project are booked under the account Cost of sales - Others.

- The increase in other consolidated cost items such as rent, electricity and other utilities, depreciation and amortization, supplies, communication and other expenses was driven mainly by store expansion.
- The increase in consolidated repairs and maintenance expenses was due to higher regular preventive maintenance expenses driven by increasing number of stores as well as cost of spare parts used for repairs of store and commissary equipment.
- The increase in consolidated securities and janitorial expense was also due to higher expenses related to pans and crates washing.

Gross Profit

Consolidated gross profit for the year 2016 increased to ₱21,092.3 million, ₱3.2 billion or 17.9% higher than the consolidated gross profit of ₱17,888.0 million for the year 2015. Gross profit margin for the year 2016 was 18.5%, 0.8% point higher than the 17.7% gross profit margin for the year 2015.

Expenses

Consolidated expenses increased to ₱14,627.2 million, ₱2,094.2 million or 16.7% higher than prior year. The following table summarizes the breakdown of the Jollibee Group's consolidated expenses for the years ended December 31, 2016 and 2015 and the percentage of each expense item to the consolidated revenues:

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
EXPENSES						
Personnel costs:						
Salaries, wages and benefits	5,543.2	4,837.8	705.4	14.6%	4.9%	4.8%
Stock option expense	241.3	173.2	68.1	39.3%	0.2%	0.2%
Pension expense	192.3	159.3	33.0	20.7%	0.2%	0.2%
Taxes and licenses	1,271.1	1,143.8	127.3	11.1%	1.1%	1.1%
Professional fees	608.6	418.6	190.0	45.4%	0.5%	0.4%
Transportation and travel	504.5	439.0	65.5	14.9%	0.4%	0.4%
Contracted services	499.5	544.3	(44.8)	-8.2%	0.4%	0.5%
Rent	470.0	390.9	79.1	20.2%	0.4%	0.4%
Depreciation and amortization	453.2	341.5	111.7	32.7%	0.4%	0.3%
Loss on retirement of assets	236.8	136.7	100.1	73.2%	0.2%	0.1%
Provisions for impairment losses	212.8	337.0	(124.2)	-36.9%	0.2%	0.3%
Repairs and maintenance	191.3	136.2	55.1	40.5%	0.2%	0.1%
Training	161.7	101.6	60.1	59.2%	0.1%	0.1%
Corporate events	161.6	163.1	(1.5)	-0.9%	0.1%	0.2%
Communication	98.8	113.7	(14.9)	-13.1%	0.1%	0.1%
Donations	82.6	105.8	(23.2)	-21.9%	0.1%	0.1%
Supplies	78.8	74.3	4.5	6.1%	0.1%	0.1%
Entertainment, amusement and recreation	53.8	64.6	(10.8)	-16.7%	0.0%	0.1%
Electricity and other utilities	52.6	56.8	(4.2)	-7.4%	0.0%	0.1%
Association dues	50.5	52.5	(2.0)	-3.8%	0.0%	0.1%
Security and janitorial	22.5	19.6	2.9	14.8%	0.0%	0.0%
Insurance	16.8	16.1	0.7	4.3%	0.0%	0.0%
Reversals of provision for impairment losses	(23.3)	(16.7)	(6.6)	39.5%	0.0%	0.0%
Others	680.4	478.3	202.1	42.3%	0.6%	0.5%
Total General and Administrative Expenses	11,861.4	10,288.0	1,573.4	15.3%	10.4%	10.2%
Advertising and promotions	2,765.8	2,245.0	520.8	23.2%	2.4%	2.2%
	14,627.2	12,533.0	2,094.2	16.7%	12.8%	12.4%

See Note 22 to the accompanying Audited Consolidated Financial Statements for details.

- Consolidated personnel costs increased due to higher Fringe Benefits Tax on stock options exercised in 2016 compared to 2015. The increase was also driven by an increase in the Corporate Office's headcount, performance-related increases in basic pay, employee promotions, upgrades in employee benefits and additional accrual for stock option expense (based on Black Scholes). Pension expense likewise increased due to additional accrual for retirement benefits in relation to the increase in basic pay of regular employees.
- Consolidated taxes and licenses expense increased due to higher business-related taxes and license fees resulting from higher revenues.
- Consolidated professional fees increased primarily driven by higher consultancy fees for various projects in the Philippines, Vietnam, China and the United States.
- Consolidated transportation and travel expense increased due to higher lodging, mileage and per diem expenses for activities related to store expansion (e.g. site visits for store construction and renovation, site evaluation and sourcing, etc.) and various projects in the Philippines and foreign markets.
- Consolidated contracted services were lower compared to last year on account of higher base. Expenses related to Information Management (IT) in 2015 were higher as more contracted IT specialists were deployed to support the initial stages of the SAP implementation.
- Consolidated rent expense increased due to annual rent escalation and additional office space for the Dunkin' Donuts business in Beijing, People's Republic of China.

- Consolidated depreciation and amortization increased due to the growing fixed asset base of the Jollibee Group, including commissary and information technology investments.
- Loss on retirement of fixed assets increased due to higher number of stores closed in 2016 compared to 2015, particularly the China business, which closed 42 stores in 2016 compared to 19 stores in 2015.
- Consolidated provisions substantially pertain to provisions for impairment of receivables and inventories of the Philippine business.
- Consolidated repairs and maintenance expense increased driven by charges for SAP maintenance, ORACLE license update, China business' software maintenance costs and other software maintenance.
- Consolidated training expenses increased driven by the JFC University, leadership trainings of various business units, E-Cornell courses and SAP trainings.
- Consolidated communication expense decreased due to lower telephone and internet charges, particularly of the Philippine business.
- Consolidated donations decreased on account of higher base --- in the first semester last year, on top of the regular donations to the Jollibee Group Foundation, various donations were made by some subsidiaries of the Parent Company.
- Consolidated supplies expense increased due to higher office supplies expense.
- Consolidated entertainment, amusement and recreation expenses decreased due to the Jollibee Group's deliberate effort to cut down on these expenses.
- Consolidated electricity and other utilities expenses decreased due to lower power rates in 2016 compared to 2015.
- Consolidated security and janitorial expense increased driven by the Red Ribbon business due to pan and crate washing.
- Reversals of provisions for impairment losses substantially pertain to inventories and receivables.
- The increase in consolidated advertising and promotions expense was driven by marketing campaigns for new products and flagship products, both for the Philippine business and foreign business.
- The increase in consolidated other expenses was due to higher association dues, membership and subscriptions.

Operating Income

Consolidated operating income for 2016 increased by 20.7% or ₱1,110.0 million to ₱6,465.0 million. Operating income margin was likewise higher by 0.4% points, from 5.3% last year to 5.7% for 2016 driven by the improvement in gross profit margin.

Interest Income (Expense)

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
INTEREST INCOME (EXPENSE)						
Interest income	286.9	257.8	29.1	11.3%	0.3%	0.3%
Interest expense	(267.6)	(225.6)	42.0	-18.6%	-0.2%	-0.2%
	19.3	32.2	(12.9)	-40.1%	0.0%	0.0%

See Note 23 to the accompanying Audited Consolidated Financial Statements for more information.

Consolidated interest income increased primarily due to interest income earned from cash in banks, short-term deposits and short-term investments. Interest income from loans to the Superfoods Group co-venturers and joint venture and from loans to third parties likewise increased compared to 2015.

Consolidated interest expense increased due to higher bank loans.

Equity in Net Losses of Joint Ventures and an Associate

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
Equity in net loss of joint ventures and an associate	(337.1)	(189.1)	(148.0)	-78.3%	-0.3%	-0.2%

See Note 11 to the accompanying Audited Consolidated Financial Statements for more information.

Consolidated equity in net losses of joint ventures and an associate pertains to JFC's share in the net losses of Smashburger, Superfoods Group and Wow Prime partly offset by the net earnings of Entrek (operates Jollibee stores in Brunei), and Golden Bee (operates Jollibee in Dubai).

Other Income

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
OTHER INCOME						
Write-off of other liabilities	1,111.9	905.1	206.8	22.8%	1.0%	0.9%
Rebates and suppliers' incentives	206.7	229.0	(22.3)	-9.7%	0.2%	0.2%
Insurance claims and others	123.8	(15.0)	138.8	925.3%	0.1%	0.0%
Penalties and charges	53.3	45.3	8.0	17.7%	0.0%	0.0%
Charges to franchisees	19.9	18.3	1.6	8.7%	0.0%	0.0%
Other rentals	16.3	13.8	2.5	18.1%	0.0%	0.0%
Pre-termination of operating leases	9.5	3.5	6.0	171.4%	0.0%	0.0%
Foreign exchange gain (loss) - net	41.5	36.8	4.7	12.8%	0.0%	0.0%
	1,582.9	1,236.8	346.1	28.0%	1.4%	1.2%

See Note 23 to the accompanying Audited Consolidated Financial Statements for more information.

Consolidated other income increased year-on-year, mainly due to write-off of long outstanding other liabilities and excess accruals. Insurance claims and others likewise increased driven by claims pertaining to 2012-2015 that were paid and settled only in 2016.

Income Taxes

	Year Ended December 31		Change		Pct to Rev	
	2016	2015	Amount	Pct	2016	2015
PROVISION FOR INCOME TAX						
Current	2,334.9	1,926.1	408.8	21.2%	2.0%	1.9%
Deferred	(658.3)	(537.5)	(120.8)	-22.5%	-0.6%	-0.5%
	1,676.6	1,388.6	287.9	20.7%	1.5%	1.4%

See Note 24 to the accompanying Audited Consolidated Financial Statements for more information.

Consolidated provision for income tax increased driven by higher taxable income of the Parent Company and several subsidiaries.

Net Income

Consolidated net income for 2016 was ₱6,053.5 million, 20.0% higher than last year's consolidated net income of ₱5,046.3 million. Net income margin (consolidated net income as a percentage of consolidated revenues) also improved, from 5.0% in 2015 to 5.3% this year. Net income attributable to the equity holders of the Parent Company amounted to ₱6,164.7 million, 25.1% higher than last year while earnings per share amounted to ₱5.747, 24.4% higher year-on-year.

Financial Condition

As of December 31, 2016 vs. December 31, 2015

The Jollibee Group ended 2016 with consolidated total assets of ₱72,728.4 million, 12.3% higher than the ₱64,763.0 million balance at the end of 2015. The following explain the significant movements in the asset accounts:

- The Jollibee Group's consolidated cash and cash equivalents increased to ₱16,733.3 million, ₱5,235.8 million or 45.5% higher than the balance at year-end 2015, mainly due to improvement in the Jollibee Group's working capital. [The movements in the Jollibee Group's cash will be explained further in the cash flow discussion.](#)
- The decrease of ₱196.3 million or 21.3% in short-term investments was primarily due to the payment of cash dividends and the 50% funding for the acquisition of the remaining 30% of Mang Inasal.
- Consolidated receivables decreased by ₱2,056.1 million or 37.8% to ₱3,376.7 million primarily due to collection from franchisees for their commissary purchases. Average collection period improved significantly, from 24 days as at December 31, 2015 to 14 days as at December 31, 2016.
- Consolidated inventories increased by ₱508.9 million or 9.3% to ₱5,987.3 million from ₱5,478.4 million at the end of 2015 driven by higher packaging, store and other supplies which increased by 151.3% year-on-year. The Jollibee Group's days inventory outstanding decreased from 42 days as at December 31, 2015 to 38 days as at December 31, 2016.
- Other current assets decreased, primarily due to decrease in deposits to suppliers.

The Company has a current ratio of 1.27:1.00 as at December 31, 2016, lower than the current ratio of 1.29:1.00 as at December 31, 2015.

- Consolidated available-for-sale financial assets, which consist mainly of shares in golf and leisure clubs increased by ₱4.8 million or 22.4% to ₱26.2 million pertaining to unrealized gain on changes in fair value.
- Interests in and advances to joint ventures, co-venturers and an associate increased by ₱1,424.0 million or 16.9% to ₱9,873.3 million due to additional investments in joint ventures partly offset by equity in net losses of joint ventures and an associate.
- Consolidated property, plant and equipment increased by ₱2,108.4 million or 14.5% to ₱16,655.6 net of accumulated depreciation, primarily due to investments in new stores, renovation of existing stores and investments in commissaries.
- Consolidated operating lease receivables increased by 107.7% to ₱26.0 million, which is the cumulative difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease agreements.
- Deferred tax assets increased by ₱1,177.0 million or 83.6% to ₱2,585.5 million due to higher Net Operating Loss Carry Over (NOLCO) arising from tax losses of some entities which may be carried forward to future periods, operating lease payables and the excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax and others. Also, for 2016, Mang Inasal and Red Ribbon were in a net deferred tax liability position totaling ₱506.6 million, which were separately presented under non-current liabilities instead of being offset against deferred tax assets. [See Note 24 to the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated other noncurrent assets increased by ₱374.9 million or 14.0% to ₱3,044.6 million primarily due to refundable and security deposits, which increased by 17.2% compared to the 2015 year-end balance.

Consolidated current liabilities amounted to ₱23,831.4 million, ₱2,763.2 million or 13.1% higher than the 2015 year-end balance of ₱21,068.2 million. The following explain the significant movements in current liabilities:

- Consolidated trade payables and other current liabilities increased by ₱2,433.5 million or 12.5% to ₱21,960.6 million attributable to higher accruals for store-related expenses, advertising, local and other taxes arising from increase in store network.
- The remaining consolidated short-term loan of JWPL amounting to USD6.0 million (₱276.4 million) and interest amounting to ₱1.0 million were paid in full on February 5, 2016, the date of maturity. [See Note 18 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated current portion of long-term debt increased by ₱633.6 million or 68.3% to ₱1,561.5 million due to reclassification of bank loans (from long-term to current portion) maturing in 2017, partly offset by payments made during the year. [See Note 18 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated liability for acquisition of businesses (current portion) was settled in the first semester of 2016, as follows: ₱36.0 million for the post-closing adjustment of USD0.8 million (₱36.6 million) for Bee Good! Inc.'s 40% stake in SJBF, ₱34.6 million for

acquisition of Fortune Capital (Chowking USA) and ₱23.6 million for the final payment for San Pin Wang acquisition. [See Note 11 of the accompanying Audited Consolidated Financial Statements for details.](#)

Consolidated noncurrent liabilities amounted to ₱14,615.5 million, 22.4% or ₱2,677.2 million higher than the December 31, 2015 balance of ₱11,938.3 million. The following explain the significant movements in noncurrent liabilities:

- Consolidated long-term debt increased by ₱1,803.1 million or 20.5% mainly due to the ₱1,000.0 million 5-year Peso-denominated loan availed from a local bank on April 21, 2016, offset by maturing loans in 2016 which were reclassified to current portion. [See Note 18 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated pension liability increased by ₱191.6 million or 13.1% to ₱1,658.2 million due to additional pension accruals for the year.
- Consolidated operating lease payable increased by ₱177.3 million or 11.0% to ₱1,792.9 million, arising from increase in number of company-owned stores. Operating lease payable is the difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements.
- Deferred tax liabilities are taxable temporary differences pertaining substantially to excess of fair value over book value of property, plant and equipment and other intangibles of acquired businesses. There is no comparable 2015 amount since no entity within the Jollibee Group had a net deferred tax liability position in 2015. [See Note 24 of the accompanying Audited Consolidated Financial Statements for details.](#)

Consolidated total equity increased by ₱2,524.8 million or 8.0% to ₱34,281.4 million. The following explain the significant movements in total stockholders' equity:

- Increase in capital stock and additional paid in capital of ₱5.2 million and ₱604.8 million, respectively, arising from issuance of new shares.
- The change of ₱128.0 million (loss) in cumulative translation adjustment was due to the appreciation of the Philippine Peso versus the RMB for December 31, 2016 (Peso to RMB: 7.16) compared to December 31, 2015 (Peso to RMB: 7.27) and the depreciation of the Philippine Peso versus the USD this year (Peso to USD: 49.72) compared to last year (Peso to USD: 47.06). The former contributed to the reduction in value of the Jollibee Group's net assets, which was slightly offset by the effect of the latter.
- Change of ₱72.2 million in remeasurement loss on net defined benefit plan due to changes in actuarial assumptions and experience adjustments. [See Note 25 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Decrease in consolidated other comprehensive loss on derivative liability by ₱1.9 million due to the additional recognition of derivative liability for the interest rate swap.
- The increase in excess of cost over the carrying value of non-controlling interests acquired pertains to Mang Inasal (₱1,217.6 million) and HBFPPPL (₱391.8 million). [See Note 11 of the accompanying Audited Consolidated Financial Statements for details.](#)
- On April 6, 2016, the Board of Directors of the Company approved the appropriation of additional ₱8,000.0 million for future expansion to support the Company's growth strategy. As a result, the appropriated retained earnings of the Company increased from ₱10,200.0 million to ₱18,200.0 million.

- The decrease in unappropriated retained earnings by ₱3,827.5 million was due to the appropriation of retained earnings amounting to ₱8,000.0 million and dividends declared amounting ₱1,992.2 million partly offset by the consolidated net income attributable to equity holders of the Parent Company amounting to ₱6,164.7 million for the year 2016.
- The decrease in non-controlling interests was due to the divestment of San Pin Wang and Chowfun and the acquisition of the remaining 30% of Mang Inasal, making it wholly owned by JFC. [See Note 11 of the accompanying Audited Consolidated Financial Statements for details.](#)

Liquidity and Capital Resources

Consolidated net cash provided by operating activities amounted to ₱14,760.3 million at the end of 2016, ₱1,275.2 million or 9.5% higher compared to the consolidated net cash provided by operating activities of ₱13,485.1 million for the same period of 2015 mainly due to higher earnings before income tax and decrease in receivables.

Consolidated net cash used in investing activities amounted to ₱10,076.8 million at the end of 2016, 6.8% or ₱737.0 million lower compared to the consolidated net cash used for investing activities of ₱10,813.8 million for the same period of 2015 substantially due to the acquisition of interest in SJBFLC and acquisitions of short-term investments in 2015.

Consolidated net cash provided by financing activities amounted to ₱550.5 million, 54.8% lower compared to last year mainly due to lower proceeds from long-term bank loans partly offset by contributions from non-controlling interests.

Cash and cash equivalents at the end of December 2016 stood at ₱16,733.3 million, ₱5,235.8 million or 45.5% higher than December 31, 2015 balance.

Discussion and Analysis of Material Events and Uncertainties

1. There were no events during the period that will trigger direct or contingent financial obligation that is material to the Jollibee Group.
2. There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.
3. Consolidated capital expenditures for 2016 amounted to ₱6,717.8 million, 35.4% lower than the ₱10,400 million budget for 2016. For 2017, the Jollibee Group is allocating ₱14,000.0 million for capital expenditures, of which ₱7,500.0 million is for new stores and renovations and the rest will mostly be for commissary expansion.
4. Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively. Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the Jollibee Group's consolidated financial forecast.
5. All of the Jollibee Group's income arose from its continuing operations.

6. Events after the reporting period:

Dividend Declaration

Parent Company. On April 5, 2017, the BOD approved a regular cash dividend of ₱1.00 per share of common stock to all stockholders of record as of April 21, 2017. Consequently, the cash dividend is expected to be paid out by May 5, 2017. The cash dividend is 16.3% higher than the ₱0.86 regular cash dividend per share declared on April 6, 2016.

Loan to Superfoods

Jollibee Worldwide Pte. Ltd (JWPL). On April 5, 2017, the BOD approved a US\$1.0 million shareholder loan to Superfoods Group to finance its capital expenditures.

Payment of Loans

JWPL. On March 31, 2017, the Jollibee Group through GPPL, entered into a Joint Venture Agreement with Blackbird Holdings Pte. Ltd. (Blackbird) to own and operate the first Jollibee store in Italy. GPPL and Blackbird shall incorporate a Singapore company (the JV Company) to be owned by GPPL to the extent of 75% and to be owned by Blackbird to the extent of 25%. The JV Company shall incorporate a wholly owned subsidiary in Italy to own and operate the Jollibee store.

Additional Capital Contribution to SJBF LLC

JWPL. On March 14, 2017, the BOD approved an additional capital contribution of US\$8.0 million to SJBF LLC through the Parent Company's wholly owned subsidiary, Bee Good! Inc.

Discussion of the Jollibee Group's Top Five (5) Key Performance Indicators

System Wide Sales

System Wide Sales is a measure of all sales to consumers both from company-owned and franchised stores.

	As of end Dec 2016	As of end Dec 2015
System Wide Sales	₱149,142.1million	₱130,732.9 million
% Growth vs LY	14.1%	10.9%

Revenues

Revenues is a measure of (1) all sales made by the Jollibee Group's owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) rental revenues of the Jollibee Group's property division; and (4) revenues from services rendered by the in-house Construction and Service Groups.

	As of end Dec 2016	As of end Dec 2015
Revenues	₱113,907.8million	₱100,779.7 million
% Growth vs LY	13.0%	11.1%

Net Income Margin

Net Income Margin is the ratio of the Jollibee Group's earnings after interest and tax. This is computed by dividing consolidated net income by consolidated revenues. The quotient is expressed in percentage. This measures the Jollibee Group's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of end Dec 2016	As of end Dec 2015
Net Income	₱6,053.5 million	₱5,046.3 million
% to Revenues	5.3%	5.0%

Basic Earnings per Share (EPS)

EPS is the portion of the Jollibee Group's profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average outstanding shares during the year. This serves as an indicator of the Jollibee Group's profitability.

	As of end Dec 2016	As of end Dec 2015
EPS - Basic	₱5.747	₱4.618
% Growth vs LY	24.4%	-9.0%

Return on Equity (ROE)

ROE is the ratio of the Jollibee Group's consolidated net income (attributable to equity holders of the parent) to equity (before non-controlling interests). It is computed by dividing consolidated net income by average equity. Average equity is calculated by adding the equity at the beginning of the year to the consolidated equity at year end and dividing the result by two. ROE is a measure of return for every peso of invested equity. The Jollibee Group also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of end Dec 2016	As of end Dec 2015
Return on Equity	19.2%	17.0%

Jollibee Foods Corporation and Subsidiaries

Financial Ratios

	Formula	2016	2015
Liquidity Ratios			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.27	1.29
Financial Leverage Ratios			
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity Attributable to Equity Holders of the Parent Company}}$	2.16	2.11
Debt Ratio	$\frac{\text{Total Debt*}}{\text{Total Debt + Equity Attributable to Equity Holders of the Parent Company}}$	53.4%	51.9%
Net Debt Ratio	$\frac{\text{Total Debt* - Cash and Cash Equivalents - Short-term Investments}}{(\text{Total Debt* - Cash and Cash Equivalents - Short-term Investments}) + \text{Equity Attributable to Equity Holders of the Parent Company}}$	38.4%	40.2%
Interest Coverage Ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$	29.9	29.5
Solvency Ratio	$\frac{\text{Net Income + Depreciation}}{\text{Total Liabilities}}$	0.26	0.26
Debt Service Coverage Ratio	$\frac{\text{Net Income}}{\text{Total Liabilities}}$	0.16	0.15

* Including both total current and total noncurrent liabilities

Results of Operations

For Year Ended December 31, 2015 vs. December 31, 2014

(All Amounts are in Million Pesos)

Revenues and System Wide Sales

	Year Ended December 31		Change	
	2015	2014	Amount	Pct
System Wide Sales	130,732.9	117,897.9	12,835.0	10.9%
Revenues	100,779.7	90,671.2	10,108.5	11.1%

System wide sales, a measure of all sales to consumers, both from company-owned and franchised stores grew by 10.9% in 2015, with the Philippine business growing by 10.8% and the foreign business by 11.2%. The China business grew by 9.2%, the US by 14.0% and Southeast Asia and the Middle East by 14.4%. The sales growth was driven by new stores which contributed 5%-6% and same store sales growth of 6%-7% on a worldwide basis. Same store sales growth pertains to sales growth from restaurants that were already open for at least 15 months. It excludes sales growth from new store opening.

Consolidated revenues, which consist of sales from company-owned stores, fees from stores operated by franchisees and commissary sales from stores operated by franchisees grew by 11.1% in 2015 compared to 2014.

The Jollibee Group opened 303 new stores during year, of which 246 were in the Philippines and 57 were in foreign operations. This is the highest number of stores opened in a year in JFC's history. It closed 99 stores (Philippines 72; Foreign business 27). It ended the year with 3,117 stores, 7.0% higher than a year ago.

Cost of Sales

Consolidated cost of sales for the year 2015 increased to ₱82,891.7 million, which is ₱9,163.9 million or 12.4% higher than consolidated cost of sales for the year 2014. The following table summarizes the breakdown of the Jollibee Group's cost of sales for the years ended December 31, 2015 and 2014 and the percentage of each component and the consolidated cost of sales to consolidated revenues:

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
COST OF SALES						
Cost of inventories	49,202.3	43,228.2	5,974.1	13.8%	48.8%	47.7%
Personnel costs:						
Salaries, wages and other employee benefits	9,870.7	9,206.0	664.7	7.2%	9.8%	10.2%
Pension expense	153.3	119.9	33.4	27.9%	0.2%	0.1%
Rent	7,450.9	6,671.2	779.7	11.7%	7.4%	7.4%
Electricity and other utilities	3,808.1	3,767.7	40.4	1.1%	3.8%	4.2%
Contracted services and professional fees	3,219.6	2,445.0	774.6	31.7%	3.2%	2.7%
Depreciation and amortization	3,084.2	2,859.7	224.5	7.9%	3.1%	3.2%
Supplies	1,887.5	2,149.2	(261.7)	-12.2%	1.9%	2.4%
Repairs and maintenance	1,107.7	943.3	164.4	17.4%	1.1%	1.0%
Security and janitorial	502.9	383.0	119.9	31.3%	0.5%	0.4%
Communication	160.5	151.7	8.8	5.8%	0.2%	0.2%
Entertainment, amusement and recreational expenses (EAR)	33.0	27.3	5.7	20.9%	0.0%	0.0%
Others	2,411.0	1,775.7	635.3	35.8%	2.4%	2.0%
	82,891.7	73,727.8	9,163.8	12.4%	82.3%	81.3%

- Consolidated cost of inventories increased due to higher sales volume and also, the carry-over impact of higher raw material prices (particularly beef), higher demurrage charges for the Jollibee Group's imported raw materials and higher freight cost.
- The increase in other cost items such as personnel costs, rent, electricity and other utilities, depreciation and amortization, contracted services and professional fees, security and janitorial and communication was driven by store expansion.

Consolidated contracted services increased mainly driven by significantly higher volume of transactions being processed as a result of increase in store network. The company also took proactive steps to adapt to the changing requirements of the Department of Labor and Employment (DOLE). The increase was partly offset by a lower increase in salaries, wages and benefits and the decrease in expenses related to Project SEEDS. Following are the details:

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
Salaries, wages and benefits	9,870.7	9,206.0	664.7	7.2%	9.8%	10.2%
Contracted services	3,194.3	2,428.2	766.1	31.5%	3.2%	2.7%
Project SEEDS*	484.0	517.8	(33.8)	-6.5%	0.5%	0.6%
	13,549.0	12,152.0	1,397.0	11.5%	13.4%	13.4%

*SEEDS stands for Skills Enhancement and Educational Development for Students, a joint project of JFC and the Department of Labor and Employment. The program aims to help qualified students pursue post-secondary education through the provision of financial assistance to enable students to acquire competencies - skills, attitudes and work values through in-store training, thus enhancing employability upon completion of post-secondary education. Expenses related to the SEEDS Project are booked under the account Cost of sales - others.

- The significant increase in consolidated repairs and maintenance expenses was due to higher regular preventive maintenance expenses driven by increasing number of stores as well as cost of spare parts used for repairs of store and commissary equipment.
- The increase in consolidated securities and janitorial expense was also due to higher expenses related to pans and crates washing.
- The decrease in consolidated supplies was driven by lower LPG prices, which declined significantly in 2015 compared to a year ago.
- The increase in consolidated cost of sales - others was due to higher expenses related to the Jollibee Group's Express Delivery and increased transportation and travel expenses driven by provincial and worldwide expansion.

Gross Profit

Consolidated gross profit for the year 2015 increased to ₱17,888.0 million, ₱944.6 million or 5.6% higher than the consolidated gross profit of ₱16,943.4 million for the year 2014. Gross profit margin for the year 2015 was 17.7%, 1.0% point lower than the gross profit margin for the year 2014 as cost of inventories increased faster than revenues.

Expenses

Consolidated expenses increased to ₱12,533.0 million, ₱1,726.3 million or 16.0% higher than prior year. The following table summarizes the breakdown of the Jollibee Group's consolidated expenses for the years ended December 31, 2015 and 2014 and the percentage of each expense item to the consolidated revenues:

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
EXPENSES						
Personnel costs:						
Salaries, wages and benefits	4,837.8	4,675.6	162.2	3.5%	4.8%	5.2%
Stock options expense	173.2	166.5	6.7	4.0%	0.2%	0.2%
Pension expense	159.3	125.7	33.6	26.7%	0.2%	0.1%
Taxes and licenses	1,143.8	970.8	173.0	17.8%	1.1%	1.1%
Contracted services	544.3	295.7	248.6	84.1%	0.5%	0.3%
Transportation and travel	439.0	393.1	45.9	11.7%	0.4%	0.4%
Professional fees	418.6	356.3	62.3	17.5%	0.4%	0.4%
Rent	390.9	401.5	(10.6)	-2.6%	0.4%	0.4%
Depreciation and amortization	341.5	326.7	14.8	4.5%	0.3%	0.4%
Provisions for impairment losses	337.0	49.4	287.6	582.2%	0.3%	0.1%
Corporate events	163.1	167.8	(4.7)	-2.8%	0.2%	0.2%
Loss on retirement of assets	136.7	156.6	(19.9)	-12.7%	0.1%	0.2%
Repairs and maintenance	136.2	105.7	30.5	28.9%	0.1%	0.1%
Communication	113.7	97.2	16.5	17.0%	0.1%	0.1%
Donations	105.8	88.6	17.2	19.4%	0.1%	0.1%
Training	101.6	47.6	54.0	113.4%	0.1%	0.1%
Supplies	74.3	53.9	20.4	37.8%	0.1%	0.1%
Entertainment, amusement and recreation	64.6	80.3	(15.7)	-19.6%	0.1%	0.1%
Electricity and water	56.8	64.9	(8.1)	-12.5%	0.1%	0.1%
Association dues	52.5	30.5	22.0	72.1%	0.1%	0.0%
Security and janitorial	19.6	14.6	5.0	34.2%	0.0%	0.0%
Insurance	16.1	14.7	1.4	9.5%	0.0%	0.0%
Reversals of provision for impairment losses	(16.7)	(72.0)	55.3	-76.8%	0.0%	-0.1%
Others	478.3	342.0	136.3	39.9%	0.5%	0.4%
Total General and Administrative Expenses	10,288.0	8,953.7	1,334.3	14.9%	10.2%	9.9%
Advertising and promotions	2,245.0	1,853.0	392.0	21.2%	2.2%	2.0%
	12,533.0	10,806.7	1,726.3	16.0%	12.4%	11.9%

- Consolidated personnel costs increased due to an increase in the Corporate Office's headcount, performance-related increases in basic pay, employee promotions, upgrades in employee benefits and additional accrual for stock option expense. Pension expense also increased due to additional accrual for retirement benefits as a result of the 2015 actuarial valuation.
- Consolidated taxes and licenses expense increased due to higher business-related taxes and license fees resulting from higher revenues.
- Consolidated contracted services increased driven by the outsourcing of the Jollibee Group's Information Technology services to IBM.
- Consolidated transportation and travel expense increased due to higher lodging, mileage and per diem expenses for activities related to JFC's US acquisition as well as store expansion (e.g. site visits for store construction and renovation, site evaluation and sourcing, etc.) in the Philippines and foreign markets.
- Consolidated professional fees increased mainly due to external counsel and consultancy fees in the Philippines, Vietnam and the United States for various projects.
- Consolidated depreciation and amortization increased due to the growing fixed asset base of the Jollibee Group, relative to new stores and renovations and investments in information management.
- Consolidated provisions substantially pertain to provisions for impairment of receivables of the Parent Company and local subsidiaries.
- Consolidated loss-on-retirement of assets pertains to write-off of leasehold improvements and equipment related to closure of stores.

- Consolidated repairs and maintenance expense increased driven by charges for SAP maintenance, ORACLE license update, China business' software maintenance costs and other software maintenance.
- Consolidated communication expense increased, driven by higher internet charges and increased telephone charges of the Jollibee business resulting from store expansion and various projects that required frequent communication within and outside the country.
- Consolidated donation expense increased, mainly due donations made to the Jollibee Group Foundation, Inc.
- Consolidated training expenses increased driven by the JFC University, leadership trainings of various business units, E-Cornell courses and SAP trainings.
- Consolidated supplies increased mainly due to higher office supplies expense driven by training materials for the JFC University and other leadership trainings.
- Consolidated entertainment, amusement and recreation expenses decreased due to the Company's deliberate effort to cut down on these expenses.
- Consolidated electricity and other utilities expenses decreased due to lower consumption, particularly of the Jollibee business.
- Consolidated association dues increased due to additional office units and increased rates during the year.
- Consolidated security and janitorial expense increased due to the additional office spaces and warehouses leased by the Jollibee Group. Janitorial expenses of the Mang Inasal business also increased because of its new training and R&D offices.
- Consolidated insurance expense increased due to additional insurance cover for the US operations.
- Consolidated reversals of provision for impairment losses decreased significantly as there were no reversals of property, plant and equipment and investment properties in 2015 whereas last year's reversals amounted to ₱62.6 million.
- The increase in other expenses was mainly due higher expenses related to market research and research and development.
- The increase in consolidated advertising and promotions expense was due to more aggressive advertising spending of all brands during the year to help boost sales and support new product launches.

Operating Income

Consolidated operating income for 2015 was lower by 12.7% or ₱781.8 million to ₱5,355.0 million. Operating income margin was likewise lower by 1.5% points, from 6.8% last year to 5.3% for 2015 as operating expenses increased faster than revenues.

Interest Income (Expense)

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
INTEREST INCOME (EXPENSES)						
Interest income	257.8	242.0	15.8	6.5%	0.3%	0.3%
Interest expense	(225.6)	(152.5)	(73.1)	47.9%	-0.2%	-0.2%
	32.2	89.5	(57.3)	-64.0%	0.0%	0.1%

Consolidated interest income increased primarily due to interest income from loans to the Superfoods Group co-venturers and joint venture and from loans to third parties. Interest income earned from cash in bank, short-term deposits and short-term investments for 2015 likewise increased compared to 2014.

Consolidated interest expense increased due to higher bank loans. See Note 23 to the accompanying Audited Consolidated Financial Statements for more information.

Equity in Net Losses of Joint Ventures and an Associate

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
Equity in net losses of joint ventures and an associate						
	(189.1)	(126.2)	(62.9)	49.9%	-0.2%	-0.1%

Consolidated equity in net losses of joint ventures and an associate pertains to JFC's share in the net losses of Smashburger, Superfoods Group and Wow Prime partly offset by the net earnings of Entrek (operates Jollibee stores in Brunei), and Golden Bee (operates Jollibee in Dubai).

Other Income

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
OTHER INCOME						
Write-off other liabilities	905.1	357.9	547.2	152.9%	0.9%	0.4%
Rebates and others suppliers' incentives	229.0	258.8	(29.8)	-11.5%	0.2%	0.3%
Penalties and charges	45.3	27.4	17.9	65.3%	0.0%	0.0%
Foreign exchange gain (loss) - net	36.8	(1.1)	37.9	3445.5%	0.0%	0.0%
Charges to franchisees	18.3	13.8	4.5	32.6%	0.0%	0.0%
Other rentals	13.8	13.6	0.2	1.5%	0.0%	0.0%
Pre-termination of operating leases	3.5	25.8	(22.3)	-86.4%	0.0%	0.0%
Bank charges, insurance claims and others	(15.0)	(36.9)	21.9	-59.3%	0.0%	0.0%
	1,236.8	659.3	577.5	87.6%	1.2%	0.7%

Consolidated other income increased year-on-year, mainly due to write-off of long outstanding other liabilities and excess accruals.

Income Taxes

	Year Ended December 31		Change		Pct to Rev	
	2015	2014	Amount	Pct	2015	2014
PROVISION FOR INCOME TAX						
Current	1,926.1	1,694.7	231.4	13.7%	1.9%	1.9%
Deferred	(537.5)	(424.2)	(113.3)	26.7%	-0.5%	-0.5%
	1,388.6	1,270.5	118.1	9.3%	1.4%	1.4%

Consolidated provision for income tax was higher due to higher taxable income. Last year's provision for income tax was also unusually low due to higher tax deductible expenses related to share-based compensation of key personnel and officers of the Jollibee Group.

Net Income

Consolidated net income for 2015 was ₱5,046.3 million, 8.1% lower than last year's consolidated net income of ₱5,488.9 million. Net income margin (consolidated net income as a percentage of consolidated revenues) also declined, from 6.1% in 2014 to 5.0% this year. Net Income Attributable to the Equity Holders of the Parent Company amounted to ₱4,928.2 million, 8.1% lower than last year while Earnings per Share amounted to ₱4.618, 9.0% lower year-on-year.

Financial Condition

As of December 31, 2015 Vs. December 31, 2014

The Jollibee Group ended 2015 with consolidated total assets of ₱64,763.0 million, 19.7% higher than the ₱54,118.7 million balance at the end of 2014. The following explain the significant movements in the asset accounts:

- The Jollibee Group's consolidated cash and cash equivalents increased to ₱11,497.6 million, ₱3,879.1 million or 50.9% higher than the balance at year-end 2014, mainly due to improvement in the Jollibee Group's working capital and proceeds from bank loans acquired during the year. [The movements in the Jollibee Group's cash will be explained further in the cash flow discussion.](#)
- Consolidated receivables net of allowance for impairment loss decreased by ₱2,504.6 million or 31.6% to ₱5,432.8 million primarily due to higher collection from franchisees for their commissary purchases. Average collection period for December 31, 2015 was 24 days, higher than the average collection period of 22 days for December 2014.
- Consolidated inventories decreased by ₱493.4 million or 8.3% to ₱5,478.4 million from ₱5,971.8 million at the end of 2014 on account of higher base as the Company increased its buffer stock for some raw materials at the end of 2014 due to challenges arising from the port congestion and problematic traffic situation in Metro Manila. The Jollibee Group's days inventory outstanding increased from 40 days as at December 2014 to 42 days as at December 31, 2015.
- Consolidated derivative asset pertains to the change in value of the cross-currency swap that amounted to ₱9.9 million at the end of December 31, 2015.
- Consolidated other current assets increased by ₱1,334.5 million or 53.5% to ₱3,828.2 million. The increase was primarily due to deposit to suppliers which increased by ₱1,015.5 million, prepaid taxes which increased by ₱230.9 million and prepaid rent by ₱96.5 million.

The Company has a current ratio of 1.29:1.00 as at December 31, 2015, higher than the current ratio of 1.26:1.00 as at December 31, 2014.

- Interests in and advances to joint ventures, co-venturers and an associate increased significantly by 149.3% to ₱8,449.3 million due to the investment of JFC's foreign subsidiary to SJBF LLC which amounted to ₱4,742.7 million, Wow Prime which amounted ₱220.8 million (an increase of ₱55.5 million over 2014) and Golden Bee which amounted to ₱47.9 million. Interests in and advances to Superfoods joint ventures and co-venturers likewise increased by ₱200.7 million while interest in an associate – Entrek increased by ₱13.6 million. [See Note 11 to the accompanying Audited Consolidated Financial Statements for details.](#)

- Consolidated property, plant and equipment net of accumulated depreciation and impairment amounting to ₱14,547.2 million increased as compared to ₱13,363.6 million as at end of 2014 primarily due to investments in new stores, renovation of existing stores and the expansion and upgrade of the Company's commissaries in the Philippines and abroad. [See Note 12 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Operating lease receivables decreased by 40.8% to ₱12.5 million, which is the cumulative difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease agreements.
- The consolidated derivative asset of ₱75.0 million was allocated by the Jollibee Group as a result of the first and second Put/ Call Rights in the agreement between Bee Good! Inc. and Smashburger Master LLC, representing the fair value of the First and Second Put/ Call Rights on transaction date. [See Note 11 to the accompanying Audited Consolidated Financial Statements for details.](#)
- Deferred tax assets increased by ₱656.5 million or 87.3% to ₱1,408.5 million mainly due to higher Net Operating Loss Carry Over (NOLCO) arising from tax losses of some entities which may be carried forward to future periods, operating lease payables, pension liability and other benefits and the excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax and others. [See Note 24 to the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated other noncurrent assets increased by ₱530.2 million or 24.8% to ₱2,669.7 million primarily due to higher refundable and security deposits relative to new stores and market entry fee paid by Golden Cup to Dunkin' Donuts Franchising LLC on January 5, 2015. Other assets which include tools for repairs and maintenance of office and store equipment that were still unused as at end of 2015 likewise increased.
- Consolidated current liabilities amounted to ₱21,068.2 million, ₱1,977.3 million or 10.4% higher than the 2014 year-end balance of ₱19,090.9 million. The following explain the significant movements in current liabilities:
- Consolidated trade payables and other current liabilities increased by ₱3,231.3 million or 19.8% to ₱19,527.0 million attributable to higher employee-related and store-related accruals arising from increase in store network and recognition of importation-in-transit.
- Consolidated income tax payable increased by ₱54.2 million or 29.8% to ₱236.0 million due to higher taxable income.
- Consolidated short-term debt decreased by ₱1,582.6 million or 84.9% to ₱282.4 million due to payment of maturing loans. [See Note 18 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated current portion of long-term debt increased by 29.7% or ₱212.4 million to ₱927.9 million representing bank loans maturing in 2016.
- Consolidated current portion of liability for acquisition of businesses increased by ₱62.0 million or 188.4% to ₱94.9 million. This pertains to the remaining liability for the acquisition of San Pin Wang (₱23.7 million), Chowking USA (₱34.6 million), and SJBF (₱36.6 million) payable in 2016. [See Note 11 of the accompanying Audited Consolidated Financial Statements for details.](#)

Consolidated noncurrent liabilities amounted to ₱11,938.3 million, 71.8% or ₱4,988.6 million higher than the December 31, 2014 balance of ₱6,949.7 million. The following explain the significant movements in noncurrent liabilities:

- Consolidated long-term debt increased by ₱4,362.7 million or 98.5% mainly due to a 10-year unsecured loan acquired by a foreign subsidiary of the Parent Company from a local bank on October 21, 2015 amounting to USD110.0 million or ₱5,111.7 million. [See Note 18 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated pension liability increased as a result of additional accrual of pension expense, changes in actuarial assumptions and experience adjustments. [See Note 25 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Consolidated derivative liability increased by ₱33.4 million to ₱34.9 million representing the value of the interest rate swap that was in unrealized loss position as at December 31, 2015. [See Note 18 of the accompanying Audited Consolidated Financial Statements for details.](#)

Consolidated total equity increased by ₱3,678.6 million or 13.1% to ₱31,756.6 million. The following explain the significant movements in total stockholders' equity:

- Increase in capital stock and additional paid in capital arising from issuance of new shares of ₱5.1 million and ₱603.1 million, respectively.
- Change of ₱133.0 million (other comprehensive income) in consolidated cumulative translation adjustments, due largely to the depreciation of the Philippine Peso versus the RMB and USD from December 31, 2014 compared to December 31, 2015, which increased the value of the Jollibee Group's net assets at the end of the year.
- Change of ₱316.7 million (other comprehensive loss) in remeasurement gain (loss) on net defined benefit plan due to changes in actuarial assumptions and experience adjustments. [See Note 25 of the accompanying Audited Consolidated Financial Statements for details.](#)
- Increase in consolidated other comprehensive loss on derivative liability by ₱33.0 million due to the recognition of derivative liability for the interest rate swap amounting to ₱34.9 million, partly reduced by the other comprehensive income on the mark-to-market changes of the cross-currency swap on the loan of PERF Restaurants, Inc., a subsidiary of the Jollibee Group.
- Increase in consolidated retained earnings by ₱3,041.3 million primarily due to the consolidated net income (attributable to equity holders of the Parent Company) for the year 2015 that amounted to ₱4,928.2 million partly offset by cash dividends paid amounting to ₱1,886.9 million.
- The increase in non-controlling interests pertains to the share in net earnings (losses) of Mang Inasal, Burger King, some foreign subsidiaries and capital share for Golden Cup.

Liquidity and Capital Resources

Consolidated net cash provided by operating activities amounted to ₱13,485.1 million at the end of 2015, 388.4% or ₱10,724.2 million higher compared to the consolidated net cash provided by operating activities of ₱2,760.9 million for 2014 mainly due to significant decrease in accounts receivables and inventories and significant increase in trade payables and other current liabilities.

Consolidated net cash used in investing activities amounted to ₱10,813.8 million for 2015, 89.8% or ₱5,117.4 million higher compared to the consolidated net cash used for investing activities of ₱5,696.4 million for 2014, mainly due to the investment of JFC's foreign subsidiary in SJBF LLC which amounted to ₱4,812.8 million, capital expenditures and market entry fee paid by Golden Cup to Dunkin' Donuts Franchising LLC on January 5, 2015 which amounted to ₱93.9 million.

Consolidated net cash provided by financing activities amounted to ₱1,218.5 million for December 2015 mainly due to increase in bank loans and issuances of capital stock, partly offset by payments of cash dividends and bank loans.

Cash and cash equivalents at the end of December 2015 stood at ₱11,497.6 million, ₱3,879.1 million or 50.9% higher than the balance as at end of December 2014.

Discussion and Analysis of Material Events and Uncertainties

1. There were no events during the period that will trigger direct or contingent financial obligation that is material to the Jollibee Group.
2. There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.
3. Consolidated capital expenditures budget for 2015 amounted ₱9,100.0 million, higher by 93.7% than the 2015 actual consolidated capital expenditures of ₱4,696.8 million. For 2016, the Jollibee Group is allocating ₱10,400.0 million for capital expenditures, of which ₱7,500.0 million is for new stores and renovations and the rest will mostly be for commissary expansion.
4. Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively. Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the Jollibee Group's consolidated financial forecast.
5. All of the Jollibee Group's income arose from its continuing operations.
6. Events after the reporting period:

Dividend Declaration

Parent Company. On April 6, 2016, the Board of Directors (BOD) approved a regular cash dividend of ₱0.86 a share of common stock to all stockholders of record as of April 21, 2016. The cash dividend will be paid out on May 6, 2016. This cash dividend is 7.5% higher than the ₱0.80 regular dividend a share declared on April 7, 2015.

Appropriation of Retained Earnings

Parent Company. On April 6, 2016, the BOD of the Company approved the appropriation of additional ₱8,000.0 million for future expansion to support the Company's growth strategy. Consequently, the appropriated retained earnings of the Company will increase from ₱10,200.0 million to ₱18,200.0 million.

Payment of Loans

Jollibee Worldwide Pte. Ltd (JWPL). On February 5, 2016, JWPL settled its short-term loan amounting to US\$6.0 million (₱286.0 million), and paid interest of ₱1.0 million.

Acquisition

JWPL. On February 23, 2016, JWPL entered into an agreement with Hua Xia Harvest Holdings Pte. Ltd. (“Hua Xia”) to acquire Hua Xia’s 30% equity shareholding in its subsidiary HBFPP. With the acquisition, JWPL shall own 100% of HBFPP. Payment for the acquisition is approximately US\$10.4 million (₱495.4 million).

Discussion of the Jollibee Group’s Top Five (5) Key Performance Indicators

System Wide Sales

System Wide Sales is a measure of all sales to consumers both from company-owned and franchised stores.

	As of end Dec 2015	As of end Dec 2014
System Wide Sales	₱130,732.9 million	₱117,897.9 million
% Growth vs LY	10.9%	13.3%

Revenues

Revenues is a measure of (1) all sales made by the Jollibee Group’s owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) rental revenues of the Jollibee Group’s property division; and (4) revenues from services rendered by the in-house Construction and Service Groups.

	As of end Dec 2015	As of end Dec 2014
Revenues	₱100,779.7 million	₱90,671.2 million
% Growth vs LY	11.1%	12.9%

Net Income Margin

Net Income Margin is the ratio of the Jollibee Group’s earnings after interest and tax. This is computed by dividing consolidated net income by consolidated revenues. The quotient is expressed in percentage. This measures the Jollibee Group’s return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As of end Dec 2015	As of end Dec 2014
Net Income	₱5,046.3 million	₱5,488.9 million
% to Revenues	5.0%	6.1%

Basic Earnings per Share (EPS)

EPS is the portion of the Jollibee Group’s profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average outstanding shares during the year. This serves as an indicator of the Jollibee Group’s profitability.

	As of end Dec 2015	As of end Dec 2014
EPS - Basic	₱4.618	₱5.075
% Growth vs LY	-9.0%	14.1%

Return on Equity (ROE)

ROE is the ratio of the Jollibee Group's consolidated net income (attributable to equity holders of the parent) to equity (before non-controlling interests). It is computed by dividing consolidated net income by average equity. Average equity is calculated by adding the equity at the beginning of the year to the consolidated equity at year end and dividing the result by two. ROE is a measure of return for every peso of invested equity. The Jollibee Group also uses ROE for comparing its profitability to that of other firms in the same industry.

	As of end Dec 2015	As of end Dec 2014
Return on Equity	17.0%	21.6%

Jollibee Foods Corporation and Subsidiaries Financial Ratios

	Formula:	2015	2014
Liquidity Ratios			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.29	1.26
Financial Leverage Ratios			
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity Attributable to Equity Holders of the Parent Company}}$	2.11	1.99
Debt Ratio	$\frac{\text{Total Debt}^*}{\text{Total Debt} + \text{Equity Attributable to Equity Holders of the Parent Company}}$	51.9%	48.9%
Net Debt Ratio	$\frac{\text{Total Debt}^* - \text{Cash and Cash Equivalents} - \text{Short-term Investments}}{(\text{Total Debt}^* - \text{Cash and Cash Equivalents} - \text{Short-term Investments}) + \text{Equity Attributable to Equity Holders of the Parent Company}}$	40.2%	40.4%
Interest Coverage Ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$	29.53	45.33
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.26	0.33
Debt-Service Coverage Ratio	$\frac{\text{Net Income}}{\text{Total Liabilities}}$	0.15	0.21
* Including total current and noncurrent liabilities			

Annex “A-2”

Management Discussion and Analysis of Results of Operations and Financial Condition for the Quarter ended March 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE QUARTER ENDED MARCH 31, 2017

JOLLIBEE FOODS CORPORATION (JFC) and SUBSIDIARIES

Management Discussion and Analysis of Results of Operations and Financial Condition

The following Management Discussion and Analysis should be read in conjunction with the submitted Unaudited Consolidated Financial Statements as at March 31, 2017 and 2016.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new PFRS and amendments to existing PFRS which became effective on January 1, 2016.

Please refer to Note 2 of the attached Company's Unaudited Consolidated Financial Statements for the Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation.

Causes for Any Material Changes (Increase or decrease of 5% or more in the financial statements)

Results of Operations

For the Quarter Ended March 31, 2017 vs. March 31, 2016

(All Amounts are in Million Pesos)

Revenues and System Wide Sales

	Quarters Ended March 31		Change	
	2017	2016	Amount	Pct
System Wide Sales	38,537.3	34,345.5	4,191.8	12.2%
Revenues	29,288.9	26,102.3	3,186.6	12.2%

System wide sales, a measure of all sales to consumers, both from company-owned and franchised stores grew by 12.2% in the first quarter of 2017 compared to the same quarter last year. The sales growth was driven by new stores which contributed 7.0% and same store sales which grew by 5.0%. Same store sales growth pertains to restaurants that were already open for at least 15 months. It excludes sales growth from new store opening.

The Philippine business reported an 11.8% growth in system wide sales while the foreign business grew by 13.7% with the Middle East business growing by 39.0%, US and Canada business growing by 22.8%, and the China business by 1.6%. These growth rates include the impact of the divestments of San Pin Wang and Jinja Bar in 2016. Excluding the impact of divestments, the foreign business grew by 21.9% with the US and Canada business growing by 28.7% and the China business by 13.1%.

Revenues, which consist of sales by company-owned stores, fees from stores operated by franchisees and commissary sales to stores operated by franchisees grew by 12.2%, in line with the growth in system wide sales. Sales discounts grew significantly, from 0.7% of revenues in the first quarter of 2016 to 1.2% in the first quarter of 2017 driven mostly by promotional discounts from the China brands' delivery business.

The Jollibee Group opened 80 stores (Philippines 65; Foreign 15) and closed 29 stores (Philippines 24; Foreign business 5) during the year. It ended the first quarter of 2017 with 3,304 stores, 7.2% higher compared to the number of stores (excluding San Pin Wang and Jinja Bar, which were divested last year) at the end of the first quarter of 2016.

Cost of Sales

Consolidated cost of sales increased to ₱24,061.6 million, which is ₱2,629.7 million or 12.3% higher than consolidated cost of sales for the first quarter of 2016. The following table summarizes the breakdown of the Jollibee Group's cost of sales for the quarters ended March 31, 2017 and 2016 and the percentage of each component and the consolidated cost of sales to consolidated revenues:

	Quarters Ended March 31		Change		Pct to Rev	
	2017	2016	Amount	Pct	2017	2016
Cost of inventories	14,048.9	12,633.8	1,415.1	11.2%	48.0%	48.4%
Personnel costs:						
Salaries, wages and benefits	2,502.3	2,583.4	(81.1)	-3.1%	8.5%	9.9%
Pension Expense	32.1	27.1	5.0	18.6%	0.1%	0.1%
Rent	2,151.3	1,891.9	259.3	13.7%	7.3%	7.2%
Contracted services	1,620.9	921.6	699.3	75.9%	5.5%	3.5%
Electricity and other utilities	1,037.5	930.3	107.2	11.5%	3.5%	3.6%
Depreciation and amortization	971.6	848.4	123.2	14.5%	3.3%	3.3%
Supplies	582.6	486.9	95.7	19.6%	2.0%	1.9%
Repairs and maintenance	229.5	311.5	(82.0)	-26.3%	0.8%	1.2%
Security and janitorial	175.4	145.5	29.9	20.5%	0.6%	0.6%
Communication	52.6	41.5	11.1	26.7%	0.2%	0.2%
Professional fees	9.1	5.5	3.6	64.9%	0.0%	0.0%
Entertainment, amusement and recreation	7.3	7.3	0.0	0.6%	0.0%	0.0%
Others	640.5	597.0	43.5	7.3%	2.2%	2.3%
	24,061.6	21,431.9	2,629.7	12.3%	82.2%	82.1%

- Consolidated cost of inventories increased at a slower rate than revenues. As a percentage of revenues, cost of inventories improved by 0.4% points due to the upward price adjustments implemented by the domestic brands in 2016.
- Consolidated salaries, wages and benefits declined as a result of the action steps taken by the Company to adapt to the changing requirements on labor.
- Contracted services increased significantly due to headcount increase needed to support store operations and also, as a result of the requirements of the new labor regulations.
- The increase in other cost items such as rent, electricity and utilities, depreciation and amortization, supplies, communication, and other expenses was driven by store expansion.
- Consolidated repairs and maintenance decreased significantly on account of higher base arising from late billings for store repairs and maintenance for the second half of 2015. The stores were billed starting the first quarter of 2016.
- The increase in consolidated securities and janitorial expense was due to higher expenses related to pans and crates washing.
- The increase in consolidated professional fees was due to higher headhunter fees for recruiting services arising from store expansion.

- The increase in consolidated cost of sales - others was due to higher expenses related to the Jollibee Group's Express Delivery and increased transportation and travel expenses.

As a percentage of consolidated revenues, consolidated cost of sales was slightly higher compared to the previous year due to the factors discussed above.

Gross Profit

Consolidated gross profit for the first quarter of 2017 increased to ₱5,227.3 million, ₱556.9 million or 11.9% higher than the consolidated gross profit of ₱4,670.4 million for the same quarter of 2016. Gross profit margin for the first quarter of 2017 was 17.8%, slightly lower than the 17.9% gross profit margin for the first quarter of 2016 on account of higher store and manufacturing costs.

Expenses

Consolidated expenses increased to ₱3,398.7 million, ₱466.4 million or 15.9% higher compared to the first quarter of 2016. The following table summarizes the breakdown of the Jollibee Group's consolidated expenses for the quarters ended March 31, 2017 and 2016, and the percentage of each expense item to the consolidated revenues:

	Quarters Ended March 31		Change		Pct to Rev	
	2017	2016	Amount	Pct	2017	2016
Personnel costs:						
Salaries, wages and benefits	1,465.1	1,285.6	179.5	14.0%	5.0%	4.9%
Stock option expense	56.9	58.5	(1.6)	-2.8%	0.2%	0.2%
Retirement benefits	33.3	32.4	0.9	2.9%	0.1%	0.1%
Taxes and licenses	338.4	286.5	51.9	18.1%	1.2%	1.1%
Professional fees	136.6	90.0	46.6	51.7%	0.5%	0.3%
Transportation and travel	119.4	102.2	17.1	16.8%	0.4%	0.4%
Rent	119.1	109.3	9.8	9.0%	0.4%	0.4%
Depreciation and amortization	103.2	123.3	(20.2)	-16.4%	0.4%	0.5%
Contracted Services	90.9	82.7	8.2	9.9%	0.3%	0.3%
Repairs and maintenance	70.4	26.2	44.1	168.2%	0.2%	0.1%
Training	35.2	26.1	9.1	35.0%	0.1%	0.1%
Communication	25.6	22.8	2.8	12.4%	0.1%	0.1%
Supplies	21.0	18.7	2.3	12.3%	0.1%	0.1%
Entertainment, amusement and recreation	17.9	16.2	1.8	10.9%	0.1%	0.1%
Electricity and other utilities	12.3	12.5	(0.2)	-1.4%	0.0%	0.0%
Security and janitorial	6.0	4.6	1.4	30.6%	0.0%	0.0%
Insurance	4.0	2.5	1.5	61.0%	0.0%	0.0%
Donations	0.3	0.0	0.3	987.8%	0.0%	0.0%
Provisions	(43.6)	12.5	(56.1)	-448.8%	-0.1%	0.0%
Corporate events and others	174.2	198.6	(24.4)	-12.3%	0.6%	0.8%
Total General and Administrative Expenses	2,786.2	2,511.3	274.8	10.9%	9.5%	9.6%
Advertising and promotions	612.6	421.0	191.6	45.5%	2.1%	1.6%
	3,398.7	2,932.3	466.4	15.9%	11.6%	11.2%

- Consolidated personnel costs increased due to an increase in the Corporate Office's headcount, performance-related increases in basic pay, employee promotions and upgrades in employee benefits. Pension expense also increased due to additional accrual for retirement benefits in relation to the increase in basic pay of regular employees.
- Consolidated taxes and licenses expense increased due to higher business-related taxes and license fees resulting from higher revenues.

- Consolidated professional fees increased driven primarily by higher legal fees related to M&A projects, digital marketing projects and HR-related consultancy fees.
- Consolidated transportation and travel expense increased due to higher lodging, mileage and per diem expenses for activities related to store expansion (e.g. site visits for store construction and renovation, site evaluation and sourcing, etc.) and various projects in the Philippines and foreign markets.
- Consolidated rent expense increased due to annual rent escalation and additional office spaces for the Corporate Offices in the Philippines, China and the United States resulting from JFC Group's growing organization.
- Consolidated depreciation and amortization decreased because of fully-depreciated assets that are still being used.
- Consolidated contracted services increased as more contracted staff were hired by the Network Development Group to support the JFC Group's store expansion projects.
- Consolidated repairs and maintenance expense increased driven by Information Management charges for additional hardware and infrastructure maintenance.
- Reversals of provisions for impairment losses substantially pertain to recoveries of provisions for impairment of inventories and receivables.
- Consolidated training expenses increased driven by the JFC University, leadership trainings of various business units.
- Consolidated communication expense increased due to higher telephone and internet charges, particularly of the Philippine business.
- Consolidated supplies expense increased due to higher office supplies expense.
- Consolidated entertainment, amusement and recreation expenses increased due to the Company's various projects.
- Consolidated donations increased on account of lower base; donations made in the first quarter of 2016 amounted to ₱27.6 thousand only.
- Consolidated electricity and other utilities expenses decreased due to lower power rates.
- Consolidated security and janitorial expense increased due to increase in manpower.
- Consolidated insurance expense increased due to timing of payment of the regional liability insurance, which was paid in the first quarter in 2017. It was paid in the second quarter in 2016.
- Consolidated corporate events and other expenses decreased as last year's miscellaneous expenses were significantly higher due to various programs of the JFC Group.
- The increase in consolidated advertising and promotions expense was driven by marketing campaigns for new products and flagship products, both for the Philippine business and foreign business. Some domestic brands also used new celebrity product endorsers.

Operating Income

Consolidated operating income for the first quarter of 2017 increased by 5.2% only or ₱90.5 million to ₱1,828.6 million mainly due to higher advertising and promotions expenses.

As a percentage of revenues, operating income declined from 6.7% in the first quarter of 2016 to 6.2% in the first quarter of 2017.

Interest Income (Expense)

	Quarters Ended March 31		Change		Pct to Rev	
	2017	2016	Amount	Pct	2017	2016
Interest income	63.6	57.9	5.7	9.9%	0.2%	0.2%
Interest expense	(94.8)	(60.9)	(33.9)	-55.8%	-0.3%	-0.2%
	(31.3)	(3.0)	(28.3)	943.0%	-0.1%	0.0%

Consolidated interest income increased primarily due to interest income earned from cash in banks, short-term deposits and short-term investments. Interest income from loans to the SuperFoods Group co-venturers and joint venture likewise contributed to the increase.

Consolidated interest expense for the first quarter of 2017 was higher than the consolidated interest expense for the same quarter last year due to higher bank loans. See Note 23 of the accompanying Unaudited Consolidated Financial Statements for more information.

Equity in Net Losses of Joint Ventures and Associates

	Quarters Ended March 31		Change		Pct to Rev	
	2017	2016	Amount	Pct	2017	2016
Equity in net loss of joint ventures and associates	(109.6)	(69.1)	(40.5)	-58.7%	-0.4%	-0.3%

Consolidated equity in net losses of joint ventures and associates pertains to JFC's share in the net losses of Smashburger, Wow Prime and Cargill partly offset by the net earnings of SuperFoods, Entrek (the Company that operates Jollibee stores in Brunei) and Golden Crown (the Company that operates Jollibee stores in the UAE).

Other Income

	Quarters Ended March 31		Change		Pct to Rev	
	2017	2016	Amount	Pct	2017	2016
Write-off of other liabilities	122.4	154.7	(32.3)	-20.9%	0.4%	0.6%
Rebates and suppliers' incentives	58.6	14.6	43.9	300.1%	0.2%	0.1%
Insurance claims and others	(6.7)	(15.2)	8.5	56.1%	0.0%	-0.1%
Penalties and charges	16.8	14.2	2.7	19.0%	0.1%	0.1%
Charges to franchisees	4.5	3.6	0.8	22.8%	0.0%	0.0%
Other rentals	3.5	2.4	1.1	43.9%	0.0%	0.0%
Pre-termination of operating leases	(0.0)	-	(0.0)	-100.0%	0.0%	0.0%
Foreign exchange gain (loss) - net	(24.1)	(29.2)	5.0	-17.3%	-0.1%	-0.1%
	174.9	145.2	29.7	20.5%	0.6%	0.6%

Consolidated other income increased, mainly due to higher rebates and suppliers' incentives.

Income Taxes

	Quarters Ended March 31		Change		Pct to Rev	
	2017	2016	Amount	Pct	2017	2016
Current	527.6	529.9	(2.3)	-0.4%	1.8%	2.0%
Deferred	(138.9)	(150.8)	11.9	-7.9%	-0.5%	-0.6%
	388.7	379.1	9.6	2.5%	1.3%	1.5%

Consolidated provision for income tax increased by 2.5% only, in line with the profit growth.

Net Income

Consolidated net income for the first quarter of 2017 amounted to ₱1,473.9 million, 2.9% higher than last year's consolidated net income of ₱1,432.2 million. Net income margins (consolidated net income as a percentage of consolidated revenues) declined to 5.0% this year, from 5.5% in the first quarter of 2016. Net Income Attributable to the Equity Holders of the Parent Company amounted to ₱1,533.2 million, 9.6% higher compared to same quarter last year. The increase was driven by the acquisition of the remaining 30% of Mang Inasal in April 2016, which increased JFC's share in its profit to 100%. Earnings per Share amounted to ₱1.426, 9.1% higher year-on-year.

Financial Condition

As at March 31, 2017 Vs. December 31, 2016

The Jollibee Group ended the first quarter of 2017 with consolidated total assets of ₱71,839.1 million, 1.2% lower than the ₱72,728.4 million balance at the end of 2016. The following explain the significant movements in the asset accounts:

- The Jollibee Group's consolidated cash and cash equivalents decreased to ₱13,618.9 million, ₱3,114.5 million or 18.6% lower than the balance at year-end 2016, mainly due to transfer of some funds to short-term investments and use of funds to settle trade payables and capital expenditures. The movements in the Jollibee Group's cash will be explained further in the cash flow discussion.
- Short-term investments increased by ₱1,782.2 million or 245.5% as explained in the foregoing discussion.
- Consolidated receivables decreased by ₱741.6 million or 22.0% to ₱2,635.1 million primarily due to more efficient collection from franchisees for their commissary purchases. Average collection period was significantly lower, from 14 days as at December 2016 to 9 days as at March 31, 2017.

The Company has a current ratio of 1.32:1.00 as at March 31, 2017, higher than the current ratio of 1.27:1.00 as at December 31, 2016.

- Interests in and advances to joint ventures, co-venturers and associates increased by ₱357.0 million or 3.6% to ₱10,230.3 million due to additional investments in joint ventures and accrual of interest and translation adjustments, partly offset by equity in net losses of joint ventures and associates.

- Consolidated property, plant and equipment increased by ₱739.3 million or 4.4% to ₱17,394.9 net of accumulated depreciation, primarily due to investments in new stores and renovation of existing stores and investments in commissaries.
- Deferred tax assets increased by ₱142.3 million or 5.5% to ₱2,727.8 million due to higher Net Operating Loss Carry Over (NOLCO) arising from tax losses of some entities which may be carried forward to future periods, operating lease payables and the excess of Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax and others. See Note 24 to the accompanying Unaudited Consolidated Financial Statements for details.

Consolidated current liabilities amounted to ₱21,334.8 million, ₱2,496.6 million or 10.5% lower than the 2016 year-end balance of ₱23,831.4 million. The following explain the significant movements in current liabilities:

- Consolidated trade payables and other current liabilities decreased by ₱2,611.9 million or 11.9% to ₱19,348.6 million due to payment of trade payables and local business taxes, lower customer deposits, reduction in store and employee-related accruals.
- Consolidated income tax payable increased by ₱116.3 million or 37.6% to ₱425.6 million due to the income tax payable for the first quarter of 2017.

Consolidated noncurrent liabilities amounted to ₱14,434.2 million, 1.2% or ₱181.3 million lower than the December 31, 2016 balance of ₱14,615.5 million. The following explain the significant movements in noncurrent liabilities:

- Consolidated derivative liability decreased by ₱14.7 million to ₱18.9 million representing the value of the interest rate swap that was in unrealized loss position as at March 31, 2017. See Notes 18 of the accompanying Unaudited Consolidated Financial Statements for details.

Consolidated total equity increased by ₱1,788.7 million or 5.2% to ₱36,070.1 million primarily due to the increase in net income attributable to equity holders of the Parent Company for the first quarter of 2017, which amounted to ₱1,533.2 million, increase in capital stock and additional paid in capital arising from issuance of new shares, increase in cumulative translation adjustments, partly offset by the decrease in comprehensive loss on derivative liability.

- The change of ₱88.2 million (income) in cumulative translation adjustment was due to the depreciation of the Philippine Peso versus the RMB for March 31, 2017 (Peso to RMB: 7.29) compared to December 31, 2016 (Peso to RMB: 7.16) and the depreciation of the Philippine Peso versus the USD for the first quarter of 2017 (Peso to USD: 50.19) compared to December 31, 2016 (Peso to USD: 49.72) which resulted in the increase in value of the Jollibee Group's net assets.
- The decrease in consolidated other comprehensive loss on derivative liability by ₱14.7 million was due to the additional recognition of derivative liability for the interest rate swap.
- The increase in consolidated retained earnings by ₱1,533.2 million was due to the consolidated net income (attributable to equity holders of the Parent Company) for the first quarter of 2017.

Liquidity and Capital Resources

Consolidated net cash provided by operating activities amounted to ₱1,369.6 million at the end of March 2017, ₱2,015.7 million lower compared to the consolidated net cash provided by operating activities of ₱3,385.3 million for the same quarter of 2016 mainly due to the settlement of trade payables.

Consolidated net cash used in investing activities amounted to ₱4,174.3 million at the end of the first quarter of 2017, 123.4% or ₱2,306.1 million higher compared to the consolidated net cash used for investing activities of ₱1,868.2 million for the same quarter of 2016 substantially due to higher capital expenditures for store expansion and renovations and increase in short-term investments.

Consolidated net cash used in financing activities amounted to ₱309.7 million at the end of the first quarter of 2017 mainly due to payment of long-term bank loans, partly offset by proceeds from issuances of and subscriptions to capital stock.

Cash and cash equivalents at the end of March 2017 stood at ₱13,618.9 million, ₱1,088.1 million or 8.7% higher than December 31, 2016 balance.

Discussion and Analysis of Material Events and Uncertainties

1. There were no events during the period that will trigger direct or contingent financial obligation that is material to the Jollibee Group.
2. There were no material off-balance sheet transactions, arrangements, obligations created during the reporting period.
3. Consolidated capital expenditures budget for 2017 amounted to ₱14,000.00 million, of which ₱7,500.0 million will be used for new stores and renovations and the rest will mostly be for commissary expansion.
4. Food service operations have both peak and lean seasons. Historically, sales in the second and fourth quarters are strong due to the summer and the Christmas seasons, respectively. Demand during the first and third quarters usually slackens. The material financial impact of this seasonality has been considered in the Jollibee Group's consolidated financial forecast.
5. All of the Jollibee Group's income arose from its continuing operations.
6. Events after the Reporting Period:

Dividend Declaration

Parent Company. On April 5, 2017, the BOD approved a regular cash dividend of ₱1.00 per share of common stock to all stockholders of record as of April 21, 2017. Consequently, the cash dividend is expected to be paid out by May 5, 2017. The cash dividend is 16.3% higher than the ₱0.86 regular cash dividend per share declared on April 6, 2016.

Loan to SuperFoods

Jollibee Worldwide Pte. Ltd (JWPL). On April 5, 2017, the BOD approved a US\$1.0 million shareholder loan to SuperFoods Group to finance its capital expenditures.

Discussion of the Jollibee Group's Top Five (5) Key Performance Indicators

System Wide Sales

System Wide Sales is a measure of all sales to consumers both from company-owned and franchised stores.

	As at March 31, 2017	As at March 31, 2016
System Wide Sales	₱38,537.3 million	₱34,345.5 million
% Growth vs LY	12.2%	14.8%

Revenues

Revenues is a measure of (1) all sales made by the Jollibee Group's owned stores (both food and novelty sales); (2) Commissary sales to franchised stores; (3) royalty fees from stores operated by franchisees; (4) rental revenues of the Jollibee Group's property investments; and (5) revenues from services rendered by the in-house Construction and Service Groups.

	As at March 31, 2017	As at March 31, 2016
Revenues	₱29,288.9 million	₱26,102.3 million
% Growth vs LY	12.2%	13.5%

Net Income Margin

Net Income Margin is the ratio of the Jollibee Group's earnings after interest and tax. This is computed by dividing consolidated net income by consolidated revenues. The quotient is expressed in percentage. This measures the Jollibee Group's return for every peso of revenue earned, after deducting cost of sales, operating expenses, interests and taxes.

	As at March 31, 2017	As at March 31, 2016
Net Income	₱1,473.9 million	₱1,432.2 million
% to Revenues	5.0%	5.5%

Basic Earnings per Share (EPS)

EPS is the portion of the Jollibee Group's profit allocated to each outstanding share of common stock. This is computed by dividing the net income for the period attributable to the equity holders of the Parent Company by the weighted average outstanding shares during the same period. This serves as an indicator of the Jollibee Group's profitability.

	As at March 31, 2017	As at March 31, 2016
EPS - Basic	₱1.426	₱1.307
% Growth vs LY	9.1%	17.1%

Return on Equity (ROE)

ROE is the ratio of the JFC Group's net income attributable to equity holders of the Parent Company to equity. It is computed by dividing annualized net income attributable to equity holders of the Parent Company by average equity attributable to equity holders of the Parent Company. ROE is a measure of return for every peso of invested equity. The JFC Group also uses ROE for comparing its profitability to that of other firms in the same industry.

	As at March 31, 2017	As at March 31, 2016
Return on Equity	17.8%	17.9%

Financial Ratios

	Formula	Mar-17 Unaudited	Mar-16 Unaudited
Liquidity Ratios			
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.32	1.33
Financial Leverage Ratios			
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity Attributable to Equity Holders of the Parent Company}}$	2.03	2.02
Debt Ratio	$\frac{\text{Total Debt*}}{\text{Total Debt + Equity Attributable to Equity Holders of the Parent Company}}$	50.2%	49.6%
Net Debt Ratio	$\frac{\text{Total Debt* - Cash and Cash Equivalents - Short-term Investments}}{(\text{Total Debt* - Cash and Cash Equivalents - Short-term Investments}) + \text{Equity Attributable to Equity Holders of the Parent}}$	35.7%	36.1%
Interest Coverage Ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense}}$	20.6	30.8
Solvency Ratio	$\frac{\text{Net Income + Depreciation}}{\text{Total Liabilities}}$	0.29	0.31
Debt Service Coverage Ratio	$\frac{\text{Net Income}}{\text{Total Liabilities}}$	0.16	0.18

* Including both total current and total noncurrent liabilities

Annex “A-3”

Business Description of the Company

BUSINESS DESCRIPTION

JOLLIBEE FOODS CORPORATION (“JFC” or the “Company”) was incorporated on January 11, 1978. Its principal business is the development, operation and franchising of quick-service restaurants (“QSR”) under the trade name “Jollibee.” In the Philippines, the Company has, as subsidiaries, FRESH N’ FAMOUS FOODS, INC., which develops, operates and franchises quick-service restaurants under the trade names “Chowking” and “Greenwich,” RED RIBBON BAKESHOP, INC. (through RRB HOLDINGS, INC.), which develops, operates and franchises restaurants under the “Red Ribbon” trade name, MANG INASAL PHILS., INC., which develops, operates and franchises restaurants under the “Mang Inasal” trade name, and PERF RESTAURANTS INC., (through holding companies, of which the Company owns 54%) which franchises restaurants under the “Burger King” trademark in the Philippines. The Company also has subsidiaries and affiliates which develop and operate its international brands, “Yonghe King,” “Hong Zhuang Yuan,” brands under the Superfoods Group (including Highlands Coffee and Pho 24), “12 Hotpot”, “Smashburger” and “Dunkin’ Donuts”. Milestones and updates for subsidiaries and affiliates are discussed further in other parts of this Report.

2016 saw JFC’s largest brand Jollibee achieving a strong growth momentum while firmly entrenching its position in the hearts and minds of its customers.

Continued strong push on flagship products, service and product improvement as well as network expansion were among the key factors that helped the brand to achieve a double digit systemwide sales growth, even larger than the combined sales of its two biggest foreign competitors. Jollibee opened a record 75 new stores in the Philippines in 2016 bringing Jollibee’s total store network to 978. This is historically the highest number of stores opened in a single year. Moreover, third party research agencies also attested to increased market share with Jollibee maintaining significant lead over its key competitor in terms of brand value, occasion share and penetration.

2016 was also the year of many digital wins for the brand highlighted by the successful Kwentong Jollibee viral short films. Key digital marketing initiatives like the Jollibee Viber stickers and the augmented-reality powered JolliDance Showdown App made the brand strongly connect with the younger market.

Jollibee ended the year on a high and optimistic note by starting the Road to 1000 stores countdown, a milestone that it is most looking forward to celebrate next year with the rest of the nation.

By the end of 2016, there were 978 Jollibee stores nationwide, of which 483 were franchised and 495 were company-owned.

Jollibee International had another historic year in 2016 with a series of milestone market entries and outstanding in-market performance across the globe. In 2016, the brand opened 33 new stores – the highest in the history of the Company, with 3 in the United States, 1 in Canada, 15 in Vietnam, 9 in the Middle East and 5 in other parts of Asia.

2016 marked a number of firsts in North America. In July 2016, Jollibee opened its first store in the Midwest of the USA, bringing a Taste of Home to the Filipino population in Skokie, Illinois. This resulted in the biggest store opening day sales in Jollibee history, with customers lining up for more than 8 hours to taste their favorite Chickenjoy. This was followed by a strong opening in Canada with Jollibee’s long-awaited entry in Winnipeg last December. Despite the freezing Canadian winter, thousands still flocked to the store and waited overnight just to get a taste of their Jollibee favorites.

In the Southeast Asian Region, Jollibee continued to spread the joy of eating by opening 2 new stores in Singapore located in mainstream trade areas with Jollibee Square 2 and Jollibee Changi City Point. Both stores are flocked by Filipinos and Singaporeans alike proving that good food is truly universal. In Brunei, Jollibee launched its first right-hand drive-through flagship store in the world which resulted in the highest opening day sales in the country's 30-year history. Jollibee Vietnam also had a historic 2016, adding 15 new stores that expanded the brand's reach in the country.

As of December 2016, Jollibee International had 167 stores, with 35 in the United States, 1 in Canada, 84 in Vietnam, 14 in Brunei, 3 in Hong Kong, 4 in Singapore, and 26 in the Middle East.

The Corporate Supply Chain provides manufacturing and logistics services to the various brands of JFC through Zenith Foods Corporation ("ZFC") and JWS Logistics.

ZFC, a wholly-owned subsidiary of JFC, serves as the major manufacturing arm of the Company. The major facility, located in Carmelray Industrial Park 1 in Canlubang has a combined capacity of about 400 metric tons of various products daily. Together with a second site in Mandaue City, Cebu, ZFC can supply the requirements of close to a thousand stores nationwide. Manufacturing expansion plans are underway in Luzon and in VisMin to support the projected growth of the JFC brands.

JWS Logistics (JWSL) is part of Jollibee Worldwide Pte. Ltd., the regional operating headquarters of the Jollibee Group of companies. JWSL ensures the delivery of goods to the JFC stores on-time and in-full through its services which include supply planning, warehousing, distribution, and customer support and order management. It operates distribution centers in strategic locations to service the growing network of stores in the JFC system. The biggest distribution center which serves as a major hub for Metro Manila and South Luzon is located in a 5-hectare property in Barangay Marcelo Green, Parañaque City with over 20,000 combined pallet locations for both dry and cold storages. Like its manufacturing partner ZFC, JWSL is poised for expansion. A mix of company-owned and third party serviced logistics centers are being undertaken.

The Company is currently embarking on major expansion projects for completion in 2018-2019 to increase capacity of the plants and distribution centers in Luzon and VisMin, addressing the growth requirements of the stores nationwide.

The Company's main suppliers are:

<i>Food</i>	<i>Supplier</i>
Chicken	SAN MIGUEL FOODS, INC. JMT Building, ADB Avenue, Pasig City
Carbonated Beverages	COCA-COLA BOTTLERS PHILIPPINES, INC. 1890 Paz Guazon Street, Otis, Paco, Manila
Sauces and Beverages	DEL MONTE PHILIPPINES, INC. Bugo, Cagayan De Oro City
Beverages	NESTLE PROFESSIONALS Nestle Center, Rockwell Center, Makati City

Dressings	UNILEVER PHILIPPINES UN Avenue, Paco, Manila
Oils	OLEO-FATS INC. #5 Mercury Avenue, Bagumbayan, Quezon City

The Company has existing agreements with all suppliers.

The Company's subsidiaries have their own commissaries for their respective specialty products, *i.e.*, pizza and pasta for Greenwich, Chinese dishes for Chowking, cakes and pastries for Red Ribbon, grilled chicken and Filipino food items for Mang Inasal, products for Burger King and Chinese food items for Yonghe King and Hong Zhuang Yuan in the People's Republic of China ("PRC"). In November 2016, the Company acquired full ownership of the food processing plant in Shucheng County, Anhui Province, PRC that it previously owned and operated with its joint venture partner Hua Xia Harvest Holdings Pte Ltd. in order to enable the Company to concentrate on supporting the growth of its Yonghe King business and on further improving its food quality and increasing the assurance of its food safety.

Food quality, service, price-value relationship, store location and ambience, and efficient operations continue to be critical elements of the Company's success in the quick-service restaurant industry.

EMPLOYEES

The Company, its local business and support units have approximately 11,957 employees in the Philippines as of December 31, 2016. The regular daily-paid employees of Company-owned Jollibee stores are subject to a collective bargaining agreement which was renewed and signed on March 3, 2017.

Aside from all benefits mandated by law, the Company provides training opportunities (internal and external) to its employees. Qualified employees are also entitled to avail of options under the Company's Stock Option Plan.

COMPETITION

The Company competes in the quick-service restaurant industry. The Company's competitive edge includes strict adherence to its policy of maintaining high standards in food quality, reasonable prices, excellent service and cleanliness in its stores. Taking the Jollibee group in its entirety, competition includes, but is not limited to, McDonald's, Wendy's, KFC, and other burger, pizza and pasta chains, Chinese fast-food restaurants, grilled chicken and Filipino restaurants, and bakeshops.

CUSTOMERS

The Company serves a wide spectrum of customers from all economic classes. It is not dependent on a single customer or a few customers. Neither is there a single customer that accounts for, or will account for, 20% or more of the Company's sales.

RELATED PARTIES

The Company runs its business independently of its subsidiaries and other related parties. There is no dependence on the Company's related parties.

PERMITS AND APPROVALS

Other than the reportorial requirements of the Securities and Exchange Commission ("SEC"), The Philippine Stock Exchange ("PSE"), the Bureau of Internal Revenue ("BIR"), and the local permits for the opening and continued operations of stores, there are no other permits, licenses or approvals required from the Company for its operations. The Company is in compliance with the requirements of the SEC, PSE, BIR and local governments.

RESEARCH AND DEVELOPMENT

Research and development is an integral part of the Company's operations. New products, concepts and ideas are critical to the continued success of the Company and its subsidiaries. For this reason, the Company allocates a Research and Development budget as indicated below for the Jollibee Philippines brand:

<u>Year</u>	<u>Amount</u>	<u>Percentage to Systemwide Sales of Jollibee Brand</u>
2015	PhP72,994,619.00	0.12%
2016	PhP78,564,317.00	0.11%

ENVIRONMENTAL LAWS

In keeping with its Corporate Social Responsibility ("CSR"), JFC places great premium in its commitment to environmental conservation and protection. A dedicated office was assigned to reduce the total environmental footprint of its businesses. Despite the lack of standards for the Restaurant Sector, the Company exerts efforts to meet the industrial standards being applied to it by government regulators. Several measures were included in its operations, covering both procedural and technological aspects, which pay heed to the environmental laws and regulations being applied to the quick-service restaurant sector.

Part of the proactive measures being undertaken at the store level, the Company currently implements two programs, namely, the Environmental Education and Awareness Program ("EEAP"), and the Cleaner Production Pollution Prevention ("CP2P") Program. Under the former, restaurant managers undergo the requisite 40-hour Basic Pollution Control Officer (PCO) Training, while area managers, group managers as well as managing directors undergo the 8-hour Environmental Management Training. In the CP2P program, the Company's environmental policy is inculcated in every store personnel and they are also taught Best Management Practices (BMPs) in the kitchen.

Strict adherence to the tenets of environmental responsibility actually begins the moment a JFC store is constructed. The Fiber Cement (Ficem) boards utilized for the drywall partitions and ceiling assemblies are not only asbestos-free, non-combustible, inorganic and termite proof, they are also 100% reusable. Even the Low VOC paint used in JFC stores is free of harmful chemicals like asbestos and mercury, in addition to being eco-efficient in terms of coverage and durability.

JFC continues to innovate by developing alternative energy source and energy saving initiatives. JFC has started the use of Grid-tied Solar Power in some stores to reduce power consumption from the Grid by about 10%-15% for a typical free-standing store. Use of solar power even with limited capacity will provide environmental benefits. Low-E high performance glass is used in some stores to reduce the air-conditioning requirement by about 10% thus reducing power consumption.

In addition, evaporative fresh air blowers are also employed, which draw warm outside air through wet filter pads, resulting in a similar cooling effect through evaporation. This reduces the use of air conditioners, saving around 25,000 kilowatt-hours of energy per year with every installed unit. Additional energy economy is achieved with the heat recovery water heater, which traps the heat emitted by the air conditioner to produce hot water for cleaning the floors. This mechanism results in additional savings of 20,700 kilowatt-hours of energy per unit per year, enough to provide the electrical requirement of 2,678 households for every 220 Jollibee stores using this facility. The exhaust systems of the kitchens contain variable speed drives, programmed to automatically reduce the speed of exhaust motors during off-peak hours when less food is cooked, saving up to 14,000 kilowatt-hours of energy per motor per year. The use of light-colored roofing materials, which reflect heat, contribute to a much cooler building as well as reduced electrical bills. Additionally, for general lighting, conversion CFL to Light Emitting Diodes (LED), capable of over 50,000 “burning” hours while consuming less power, have been implemented in stores.

Hand in hand with its mission of bringing the joy of eating to everyone, the Company also believes in inculcating the spirit of environmental responsibility both inside and outside the Company. More than a one-time effort, this unceasing pledge to the environment can be best seen in its proactive efforts to anticipate and address issues through continuous feedback and communication with the Company’s partners in the government and the customer base.

RISKS

The Company and its subsidiaries are all in the quick-service restaurant sector. Quick-service restaurants like those maintained by the Company are expected to maintain high quality in terms of food, service and cleanliness (“FSC”). The Company responds by observing stringent guidelines, processes and procedures in its FSC, and conducting regular and spot audits to ensure that FSC standards are maintained not only in stores but also in commissaries. The Company has likewise instituted a system of incentives to reward excellent performance in terms of FSC by stores.

The Company encourages the implementation of systems that allow it to adequately identify, measure, manage and control significant and relevant risks that affect its activities and businesses. These systems and risk management policies enable the Company to: a) attain the strategic objectives formulated by the Company with controlled unpredictability; b) provide the maximum level of assurance to its shareholders; c) protect the Company’s reputation; d) defend the interests of customers, shareholders, other groups interested in the Company’s progress; and e) ensure sustained corporate stability and financial strength.

ADDITIONAL REQUIREMENTS AS TO CERTAIN ISSUES OR ISSUERS

The Company has no additional requirements as to certain issues or issuers.

SUBSIDIARIES AND AFFILIATES

The Company owns, develops, operates and franchises the following brands through various subsidiaries:

Chowking

The Chowking Philippines business rallied with profitable and balanced growth in 2016. The year was truly a WOW accomplishment, with growth and profit from all regional business units in Luzon, Visayas and Mindanao. The business continues to drive three priorities: elevate the brand, grow its flagship products and achieve excellence in the restaurant.

To elevate the brand, an exciting and integrated mix of TV, radio, digital, billboard, retail trade area and in-store marketing efforts were rolled out. The touchpoints highlighted the uniqueness, deliciousness and good value of Chowking's Chinese flagship products. The brand continued to invest in nationwide product sampling activities to educate Filipinos about Chinese food in a fun and engaging way. Chowking is committed to win over young millennials, as they represent the market of today and the future.

In growing its flagship products, Chowking also sharpens its unique Chinese positioning. Dominance in the Chinese eat-out categories is key to the brand's long term growth in a cluttered eat-out market. A tremendous share of 2016 sales growth was delivered by Pork Chao Fan, Lauriat, Chunky Asado Siopao and Wonton Mami - all are delicious Chinese dishes that Chowking has popularized among Filipinos. Every member of the Chowking organization is committed to serve hot and delicious Chinese food. High standards for quality begin at the commissary and are maintained all the way to every Chowking restaurant, every day.

Excellence in all restaurants starts with its strategic locations. Chowking opened 51 new well-located restaurants in 2016. Chowking also renovated and improved existing restaurants. All these carry the modern Chinatown food street design that is worthy of the young market's social media posts. Business channels, especially delivery and drive-thru, also boosted guest experience and sales growth. Standards on food, service and cleanliness in every restaurant are the utmost priority of the store operations team, ensuring a WOW experience for all Chowking guests.

As of December 2016, there were 479 Chowking stores nationwide, of which 240 were franchised and 239 were company-owned.

As of year-end, Chowking had 42 stores outside the Philippines - 15 stores in the United States, 19 in UAE, 3 in Qatar, 2 in Oman, 2 in Kuwait and 1 in Saudi Arabia.

Greenwich

2016 was a year of many milestones for Greenwich. System-wide sales grew 13%, improving from last year. The company overtook the competition in new key categories, cementing its market leadership in occasion and value shares versus its top rivals – a clear indicator of Greenwich's taste superiority. The big push came from intensified efforts to expand and develop the store network, develop more capable teams, focus on product quality and variety, and improve operational efficiencies.

The total number of Greenwich stores hit 250 last year, the highest ever in the company's history. Following the opening of its first free-standing pizza-and-pasta destination in 2015, more free-standing stores and more branches were opened in 2016.

More branches were renovated to fit the Pizzeria store concept, providing the levelled-up Greenwich pizza-and-pasta experience to more customers. With almost half of the store network now with the Pizzeria concept, Greenwich's leadership image is reinforced as well.

Also contributing to the success of 2016 were innovations in the menu. The launch of new products – Bacon Crispy Thins, Cheesy Bread Sticks, Caramel Bites, and Hawaiian Lemon Slush – improved both customer visits and satisfaction. Reinvented meal packages boosted sales, too. Greenwich Hawaiian Overloaded was included in the Overloaded Meals and the Barkada Bundles were revamped. To top it off, the best-selling Lasagna Supreme hit the P1 billion sales mark last year.

Through the combination of superior product taste, premium store experiences, convenience, accessibility, and leadership, Greenwich will continue on, pushing farther than ever to ensure its path to dominance and unquestionable #1 status in the near future.

As of December 2016, Greenwich had 250 stores nationwide. Greenwich ended the year 2016 with 159 franchised stores and 91 company-owned stores.

“Chowking” and “Greenwich” are business units of Fresh N' Famous Foods, Inc., a wholly-owned subsidiary of the Company.

Red Ribbon

2016 marked another banner year for Red Ribbon with its achievement of yet another double-digit growth in sales. The year closed with 12% growth driven by strong product sales, launch of the new store design, focus on store renovation and continued excellence in food, safety, cleanliness, and condition.

Red Ribbon posted strong sales achievement across all its product categories. The Cakes category's stellar performance was propelled by the launch of its superior and best-yet version of Triple Chocolate Roll and the game-changing Rainbow Chocolate Dedication Cake, coupled by the introduction of Chocolate Indulgence and Limited Time Offer Cakes (Cookie Crush, CaraMelt With You, Graduation Cake, Special Occasion Black Forest). On the other hand, aggressive support for Cake Slices and improvements on Cheese Ensaimada together with the news and excitement from Salted Caramel and Strawberry Cheesecake Ensaimada drove the hard-earned growth for the Pastries and Breads line.

In terms of store network, Red Ribbon ended the year with 397 stores, 49 of which already adopted the new store design. Noteworthy was the opening last October of its very first flagship store in SM Megamall. The flagship store represents the best of what Red Ribbon offers and elevates the shopping/customer experience to a new level.

In the Philippines, Red Ribbon had 397 stores as of December 2016, 202 of which were franchised stores and 195 of which were company-owned.

As of December 2016, Red Ribbon USA had a total of 33 stores.

Mang Inasal

Guided by the brand's four pillars - Organizational Strength, Operational Excellence, Brand Dominance, and Sustained Business Growth – Mang Inasal employed agility, stronger core knowledge and skills, and acuity in business strategy development to round up another successful year. Steps to sustain operational excellence were taken through training programs in Quality Management Systems while internal review processes underwent major improvements and reinforcement.

Mang Inasal worked to strengthen its brand communications through powerful marketing, advertising, and digital campaigns. Through these combined efforts and strategic initiatives, Mang Inasal maintained its position as the #1 Pinoy Branded Eat-Out and #4 in Total Branded Eat-Out in Metro Manila according to the 2016 Kantar Panel.

Mang Inasal also capped off 2016 with the opening of 35 new stores and 60 renovated stores. As of December 2016, Mang Inasal had 465 stores, 416 of which were franchised stores and 49 of which were company-owned.

Burger King

Burger King Philippines bagged the 2016 Gold Crown Franchisee of the Year in the Asia Pacific Franchisee Convention held in Orlando, USA. Burger King Philippines was given due recognition for being best in overall profit, sales growth, and management systems. The award came at the tail-end of a year of revved-up efforts to accelerate growth in all facets of the business.

Burger King Philippines broke records in network development by opening 18 new stores, the highest in the company's history. It broke ground in new territories in Tarlac, Iloilo, Zamboanga, and Davao; with the latter 2 raising the bar on first 3-day sales records.

Staying true to its mission of delivering the best burger experience, the brand also remodeled 4 stores. Two new design concepts: 20/20 Prime and 20/20 Garden Grill were also introduced into the market. The brand has also introduced new Digital Menu Boards in key branches.

Burger King further strengthened its flagship products with the Whopper and 4-Cheese Whopper. These were promoted in strategic channels such as TV, digital, billboard and bus ads, and in-store merchandising; highlighting the taste superiority of Burger King's flame-grilled burgers and great value-for-money; challenging the other burgers of competition. Burger King further challenged competition's top burger product with its own Flamed-Grilled Cheeseburger. Ten new products were also launched to drive brand excitement and menu variety, like the Chicken Fries, Cookie Overload Sundaes, Bacon 4-Cheese Whopper, Meat Beast Whopper, Mushroom Mozzarella Angus Steakhouse, and Monster Bacon Angus Steakhouse. Quarterly King Deal Coupons also drove more traffic into the restaurants while reinforcing its value proposition.

Burger King also garnered several awards from the industry. It earned its first Boomerang Award with "The BK Channel" winning as the Best Digital Campaign. The brand also took home Silver in JFC's Marketing Excellence Awards and was named Favorite Fast Food Burger at the 2016 Choice Awards for the second year in a row.

Burger King ended the year 2016 with 74 stores.

YongheKing

2016 is a milestone year for Yonghe King. The year marked Yonghe King's 1st year as the number one Chinese quick service restaurant brand in the China Net Promoter Score (C-NPS) survey 2016. This award mirrors Yonghe King's success as the top one recommended Chinese quick service restaurant brand, winning the consumer palate and leading the fast-changing Chinese market competition.

Two new flagship dishes, freshly-made Crispy Tender Chicken Thigh Rice and Black Pepper Pork Chop Noodle Soup delivered sizeable growth in the main meal category towards the end of 2016. Yonghe King also introduced Minced Pork Wonton Noodle Soup, which is an upgraded version of its existing Wonton Soup. Yonghe King renovated 56 stores in 2016.

The final keynote of 2016 is digitalization. The brand's marketing communication model has shifted from a traditional media-focused model to a hybrid of digital and traditional media, which is more targeted, cost-efficient, and engaging. Yonghe King's brand-owned digital platform grew its fan base by 60% in 3 months after a series of focused digital social media marketing efforts

As of December 2016, Yonghe King had 310 stores, 43 of which were franchised stores and 267 of which were company-owned.

Hong Zhuang Yuan

2016 was another banner year for Hong Zhuang Yuan, marking its second consecutive year of double-digit growth in same store sales. Delivery business, which grew by 36.8% and accounted for 30% of its system wide sales continued to be the main driver of Hong Zhuang Yuan's sales growth. This is also the second consecutive year that Hong Zhuang Yuan received the award for the "Most Welcome Delivery Brand in Beijing" given by Baidu, which is one of the three major digital delivery platforms in PRC.

Hong Zhuang Yuan continued to strengthen its iconic products, such as Lean Pork & Preserved Egg Congee, Five Black Congee, Sautéed Assorted Vegetable served with Pancake. The brand continued with its seasonal product launch activities aimed at satisfying ever-changing customer needs. For the winter season menu, Hong Zhuang Yuan launched the improved freshly-made Lean Pork & Preserved Egg Congee to further strengthen the brand's leading position in the congee category. Hong Zhuang Yuan took advantage of social media to connect and communicate new product launches with their customers.

Hong Zhuang Yuan opened 3 brand new restaurants and renovated 5 stores. The new stores follow a new store design concept with an open kitchen showcasing the brand's freshly prepared congee and other products, attracting more customers and encouraging them to order more products.

All these efforts strengthened Hong Zhuang Yuan's brand positioning of being the only Chinese neighborhood restaurant that "feels like home," offering delicious, everyday good value for money "comfort food" and bringing delightful, comfortable eating experience.

As of December 2016, Hong Zhuang Yuan had 43 stores, 42 of which were company-owned.

Dunkin' Donuts

On December 19, 2014, the Company disclosed that its wholly owned subsidiary JWPL entered into a joint venture agreement with Jasmine Asset Holding Ltd. to form a joint venture company to own and operate Dunkin' Donuts restaurants in selected territories in PRC. In 2015, the joint venture company incorporated an operating entity in PRC - Beijing Golden Coffee Cup Food & Beverage Management Co., Ltd. ("BJGCC").

Targeting the customers of middle-and-up income, Dunkin' Donuts in China positioned itself as an American coffee and bakery shop serving great tasting coffee and donuts at value-for-money prices that brings back a dose of happiness into the daily life.

In 2016, BJGCC successfully opened 15 stores in Beijing. Starting in February 2016 with the 1st store opening in the Shunyi district, the gathering area of expatriates and returnees, BJGCC followed through with its expansion in key locations in the city -- Rongxiang, LongDe, XiangYun, FangHengPlaza, etc., with well-calculated speed and great attention to operational excellence. The store that opened on the Exchange Walk Street in Beijing had achieved historical high sales record of opening day sales in JFC which is more than 50,000 RMB.

In December 2016, BJGCC opened its 1st flagship Dunkin' Donuts store in Beijing which received high compliments from members of the media and key opinion leaders regarding the superior in-store experience and great taste of coffee and donuts.

Superfoods

The Superfoods group owns and operates various brands, including Highlands Coffee Shops in Vietnam, Highlands Coffee Packaged Products and Hard Rock Café franchised stores in Macau, Hong Kong and Vietnam. Highlands Coffee serves Vietnamese coffee and light meals in trendy coffee shops, and also sells packaged coffee through retail outlets.

The Superfoods Group also acquired the Pho 24 brand and restaurants which have presence in Vietnam, Indonesia, Philippines, Cambodia, Macau and Korea. Pho 24 serves traditional Vietnamese dishes with rice noodles as its core products.

As of December 2016, Highlands Coffee had 170 stores in Vietnam and the Philippines, Pho 24 had 34 stores in Vietnam, Indonesia, Cambodia, Korea and Australia, and other Superfoods brands had 8 restaurants.

12 Hotpot

On August 22, 2012, the Company disclosed that its wholly owned subsidiaries JWPL and Golden Plate Pte. Ltd. ("GPPL") have entered into an agreement to establish a company to own and operate the 12 Hotpot brand in PRC, Hong Kong and Macau. JWPL and GPPL combined will own 48% of the joint venture company.

The 12 Hotpot brand features low-priced hot pot dishes served in a clean and bright dining environment. It highlights safe and fresh food which each customer cooks in individual fast-heating stone hot pots.

As of December 2016, 12 Hotpot had 16 stores in the People's Republic of China.

JOLLIBEE GROUP FOUNDATION, INC.

As the corporate social responsibility arm of one of the largest food service companies in the world, Jollibee Group Foundation (JGF) continued to collaborate with partners to enable communities to work together and help families put food on their table.

Farmer Entrepreneurship Program (FEP)

JGF launched the FEP Leadership for Agroenterprise Development (LeAD) Training Program for FEP farmer leaders so they can continue to develop both the skill and the mindset to explore, persevere, grow as reliable suppliers, and lead other farmers. Twenty-two farmers successfully completed the course and have applied what they learned to strengthen their organizations and increase the volume that they supply.

The program continued to help smallholder farmers increase their income by enabling them to become entrepreneurs and linking them to the supply chain of institutional buyers such as JFC. In 2016, twelve farmer groups supplied various vegetables including white onions, hot peppers, salad tomatoes, bell peppers, and calamansi. Deliveries were made to the JFC commissary as well as directly to Chowking stores in Cebu. The farmers' transactions reached a combined total of more than 800 metric tons, amounting to P36 M.

Busog, Lusog, Talino School Feeding Program (BLT)

JGF sustained its support to the Department of Education (DepEd) in effectively implementing its School Based Feeding Program by constructing BLT School Feeding Kitchens. The BLT Kitchens centralized food production for a cluster of schools so that more children can be served nutritious food with less time and effort. By the end of 2016, JGF had constructed 10 kitchens in different municipalities and cities in Luzon, Visayas and Mindanao, which served 7,700 undernourished pupils in 60 public schools.

An essential component of this initiative was the promotion of school feeding standards, which were inspired by the same food safety and cleanliness guidelines used by JFC stores around the world. This helped ensure that the food served to children are nutritious and safe. As part of this advocacy, JGF held the 2nd BLT Excellence Awards, which recognized schools from across the country for their efforts to exceed these standards.

Project ACE Scholarships

JGF also provided scholarships to underprivileged but deserving youth so that they can complete their tertiary education and access employment. In 2016, scholarships were granted to 90 students from college and 150 from technical vocational schools. College scholars also acquired work experience in Jollibee, Chowking and Greenwich restaurants, while technical vocational scholars did their on-the-job training in the JFC commissary and service providers of JFC restaurants.

OTHERS

Other subsidiaries of the Company include FREEMONT FOODS CORPORATION, a wholly owned subsidiary which owns and operates the Company's Jollibee stores primarily in the Visayas and Mindanao areas, and GRANDWORTH RESOURCES CORPORATION, a real estate company which owns or leases some of the properties used as store sites.

PERCENTAGE OF FOREIGN SALES

The percentage of foreign sales to total net sales for the last four (4) years is as follows:

	2016	2015	2014	2013
Total Sales	108,020,745,396	95,810,688,792	86,209,777,710	76,313,489,585
Foreign Sales	23,153,252,197	22,353,890,989	20,428,092,190	18,249,808,498
Percentage	21.43%	23.30%	23.70%	23.90%

The percentage of foreign sales to net income is as follows:

	2016	2015	2014	2013
Net Income	6,053,508,622	5,046,333,392	5,488,941,506	4,722,806,527
Foreign Sales	23,153,252,197	22,353,890,989	20,428,092,190	18,249,808,498
Percentage	382.5%	443.0%	372.2%	386.4%

TRADEMARK REGISTRATION

Following is a list of the local and international trademark registrations and pending applications for registration for the “Jollibee” brand as of December 31, 2016.

The Company’s subsidiaries have likewise procured the relevant trademark registrations for their respective brands.

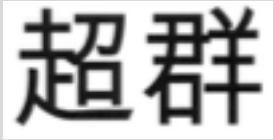
[Lists are found on the following page.]

Annex “A-4”

List of Local and International Trademarks

LOCAL

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	2-IN-1 SA LAKI AT SARAP	2-IN-1 SA LAKI AT SARAP	4-2013-007660		29 & 35
Philippines	2-in-1 sa Laki, Nuot sa Ihaw Sarap	2-IN-1 SA LAKI, NUOT SA IHAW SARAP	4-2016-506637		29 & 43
Philippines	3-D BOX DESIGN		4-2015-507226	27-Oct-16	16, 28 & 35
Philippines	ACE, BE AN ACCESS CURRICULUM EMPLOYABILITY SCHOLAR		4-2008-006538	13-Apr-09	41
Philippines	Alagang Pinoy	Alagang Pinoy	4-2015-505802		29, 35 & 43
Philippines	BANANAMON	BANANAMON	4-2014-503721	20-Nov-14	30
Philippines	BANDKADA	BANDKADA	4-2015-500441	02-Jul-15	41
Philippines	BEE HAPPY	BEE HAPPY	4-2012-003129	24-May-12	35
Philippines	BEE HEAD		4-2012-004771	23-Aug-12	29
Philippines	BEE HEAD DEVICE		4-2004-006570	06-Jan-16	43
Philippines	BUKO JOE	BUKO JOE	4-2015-505618	24-Mar-16	32 & 43
Philippines	BUTTERMON	BUTTERMON	4-2014-503715	30-Oct-14	30
Philippines	CARAMEL BITES	CARAMEL BITES	4-2016-505100		30
Philippines	CARAMEL BITES (Stylized)		4-2016-505200		30
Philippines	CARAMELMON	CARAMELMON	4-2014-503718	30-Oct-14	30
Philippines	CHAMP	CHAMP	4-2010-004236	28-Jan-11	29 & 35
Philippines	CHAMP MADE WITH 100% PURE BEEF 1/3 POUND PATTY LANGHAP-SARAP		4-2016-506284		29 & 43
Philippines	CHEESYMON	CHEESYMON	4-2014-503717	30-Oct-14	30
Philippines	CHICHARAP	CHICHARAP	4-2002-007658	17-Jan-15	29

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	CHICKENJOY (WORD MARK)	CHICKENJOY	4-2004-006569	26-May-16	29
Philippines	CHICKENJOY WORD MARK-MAIN	CHICKENJOY	4-2012-004770	12-Jul-12	43
Philippines	CHOCOLATE INDULGENCE	CHOCOLATE INDULGENCE	4-2016-501175	06-Oct-16	30
Philippines	CHOCOMON	CHOCOMON	4-2014-503720	30-Oct-14	30
Philippines	CHOWKING (WORD MARK)	CHOWKING	4-2012-000499	26-Apr-12	30, 43
Philippines	CHOWKING CHOW PAO	CHOWKING CHOW PAO	4-2012-003463	12-Jul-12	30
Philippines	CHOWKING CK		4-2012-000500	26-Apr-12	30, 43
Philippines	CHOWKING WORD MARK (IN CHINESE CHARACTERS)		4-2012-000501	26-Apr-12	30, 43
Philippines	CREAMY FLOATS	CREAMY FLOATS	4-2016-505415		32
Philippines	CREAMY FLOATS (stylized)		4-2016-505416		32
Philippines	CREMA DE LECHE	CREMA DE LECHE	4-2015-503433		30
Philippines	CRISPY HOT CHICKENJOY	CRISPY HOT CHICKENJOY	4-2016-505399		29
Philippines	CRISPYJUICYEXTRAORDINARYLICIOUS	CRISPYJUICYEXTRAORDINARYLICIOUS	4-2014-505926	26-Feb-15	29
Philippines	CRISPYJUICYFLAVORLICIOUS	CRISPYJUICYFLAVORLICIOUS	4-2014-505858	30-Apr-15	29
Philippines	CRISPYLICIOUS (WORD MARK)	CRISPYLICIOUS	4-2012-000563	31-May-12	29
Philippines	DEALICIOUS DUO	DEALICIOUS DUO	4-2015-503871	03-Mar-16	30
Philippines	DELICIOUS & LIGHT CHOICES	Delicious & Light Choices	4-2008-006889	03-Sep-09	29, 30, 31, 32
Philippines	DELIVEREACH		4-2009-001324	23-Jul-09	39
Philippines	DITO ANG SARAP MAGING	DITO ANG SARAP MAGING	4-2013-001090	20-Feb-15	35
Philippines	DITO ANG SARAP MAGING PAMILYA	DITO ANG SARAP MAGING PAMILYA	4-2013-001089	20-Feb-15	35
Philippines	DOUBLE DECK	DOUBLE DECK	4-2015-503210	16-Jun-16	30

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	DOUBLE DECK DEDICATION	DOUBLE DECK DEDICATION	4-2015-503209	11-Feb-16	30
Philippines	EXTRAORDINARYLICIOUS	EXTRAORDINARYLICIOUS	4-2014-505925	26-Feb-15	29
Philippines	FAMILY VALUES AWARDS	FAMILY VALUES AWARDS	4-2013-010435	19-Dec-13	35
Philippines	FARMER ENTREPRENEURSHIP PROGRAM	FARMER ENTREPRENEURSHIP PROGRAM	4-2013-002708		36
Philippines	FARMER ENTREPRENEURSHIP PROGRAM LOGO		4-2013-002706	29-Aug-13	36
Philippines	FINANCE BEYOND NUMBERS	FINANCE BEYOND NUMBERS	4-2013-005162	12-Sep-13	16 & 41
Philippines	FLAVORLICIOUS	FLAVORLICIOUS	4-2014-505857	30-Apr-15	29
Philippines	FRAMILY	FRAMILY	4-2016-506373		29, 35 & 43
Philippines	FRUITY FLOATS	FRUITY FLOATS	4-2016-505417		32
Philippines	FRUITY FLOATS (stylized)		4-2016-505418		32
Philippines	GLAZED CHICKENJOY	GLAZED CHICKENJOY	4-2014-505859	09-Apr-15	29
Philippines	GRAVYLICIOUS	GRAVYLICIOUS	4-2016-503206	01-Sep-16	29
Philippines	GREENCARD	GREENCARD	4-2014-505305	09-Apr-15	9, 16, 35 & 36
Philippines	Greenwich		4-2009-000328	06-Aug-09	29, 30, 31, 32, 43
Philippines	GREENWICH	GREENWICH	4-2013-012441	06-Feb-14	43
Philippines	GREENWICH G		4-2012-004772	23-Aug-12	30 & 43
Philippines	GREENWICH PEARL COOLERS		4-2001-003033	25-Jun-16	32
Philippines	HAWAIIAN OVERLOAD	HAWAIIAN OVERLOAD	4-2015-507058	26-May-16	30
Philippines	HAWAIIAN SPECIAL	HAWAIIAN SPECIAL	4-2015-503870		30

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	HETTY MASCOT DESIGN		4-2008-007563	23-Jul-09	16, 18, 20, 21, 24, 25, 27, 28, 41
Philippines	HETTY MASCOT HOUSE		4-2010-005365	21-Oct-10	16, 18, 25, 28, 41
Philippines	HETTY MASCOT HOUSE		4-2010-005368	14-Oct-10	16, 18, 25, 28, 41
Philippines	IHAW-WOW	IHAW-WOW	4-2015-507118		29 & 35
Philippines	JOLLIBEE	JOLLIBEE	4-2000-004772	10-Mar-16	29, 30, 32 & 42
Philippines	JOLLIBEE	JOLLIBEE	4-2000-007421	24-Sep-15	16, 28
Philippines	Jollibee		4-2010-002055	22-Jul-10	29, 30 & 43
Philippines	Jollibee Big Burger Steak Supreme	Jollibee Big Burger Steak Supreme	4-2015-506501		29
Philippines	JOLLIBEE BREAKFAST JOYS	Jollibee Breakfast Joys	4-2009-006901	24-Dec-09	29, 35
Philippines	Jollibee Burger Steak Supreme	Jollibee Burger Steak Supreme	4-2015-506500		29
Philippines	JOLLIBEE CHAMP	Jollibee Champ	4-2009-006900	12-Nov-09	29, 35
Philippines	JOLLIBEE CHAMP. BIG BURGER GOODNESS LIKE NO OTHER.	Jollibee Champ. Big Burger Goodness Like No Other.	4-2009-006905	12-Nov-09	35
Philippines	JOLLIBEE FAMILY VALUES AWARDS CELEBRATING EXEMPLARY FILIFINO FAMILIES		4-2013-010436	12-Jun-14	35
Philippines	JOLLIBEE GRILLED PORK TENDERS	JOLLIBEE GRILLED PORK TENDERS	4-2012-000614	03-May-12	29
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE		4-2010-005155	31-Dec-10	16, 35
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE		4-2010-005156	31-Dec-10	16, 35
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE		4-2010-005302	31-Dec-10	16, 35

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	JOLLIBEE KIDS CLUB INSIDE A CIRCLE		4-2010-005303	23-Dec-10	16, 35
Philippines	JOLLIBEE MAAGA ANG PASKO LOGO		4-2015-500315	31-Mar-16	36
Philippines	JOLLIBEE MASCOT DESIGN		4-2008-007562	23-Jul-09	16, 18, 20, 21, 24, 25, 27, 28, 41
Philippines	JOLLIBEE MASCOT DESIGN		4-2013-002707	20-Jun-13	29 & 43
Philippines	JOLLIBEE MASCOT HOUSE		4-2010-005366	21-Oct-10	16, 18, 25, 28, 41
Philippines	JOLLIBEE MASCOT HOUSE		4-2010-005367	21-Oct-10	16, 18, 25, 28, 41
Philippines	JOLLIBEE SUPER MEALS	JOLLIBEE SUPER MEALS	4-2005-002450	18-Dec-06	43
Philippines	Jollibee Sweet-Spicy BBQ Burger Steak		4-2016-505446		29
Philippines	JOLLIKIDS	JOLLIKIDS	4-2005-000388	08-Jun-16	16, 18, 25 & 26
Philippines	JOLLISAVERS	JOLLISAVERS	4-2015-503892	12-Nov-15	29, 30 & 43
Philippines	JOLLITOWN AND DEVICE		4-2008-005395	25-Mar-10	16, 18, 20, 24, 25, 27, 28 & 41
Philippines	JOLLY CRISPY FLAVORED FRIES	JOLLY CRISPY FLAVORED FRIES	4-2016-505391		29
Philippines	JOLLY CRISPY FLAVORED FRIES (stylized)		4-2016-505392		29
Philippines	JOLLY CRISPY FRIES	JOLLY CRISPY FRIES	4-2004-006392	09-Feb-09	29
Philippines	JOLLY CRISPY FRIES		4-2009-006965	15-Apr-10	35
Philippines	JOLLY CRISPY FRIES. BEST FRIENDS FRIES.	Jolly Crispy Fries. Best Friends Fries.	4-2009-006907	19-Nov-09	35
Philippines	Jolly Hotdog	Jolly Hotdog	4-2009-006903	24-Dec-09	29, 35

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	JOLLY HOTDOG. SARAP ON-THE-MOVE.	Jolly Hotdog. Sarap on-the-move.	4-2009-006906	19-Nov-09	35
Philippines	JOLLY JOY BOX	JOLLY JOY BOX	4-2015-507151		16, 28 & 35
Philippines	JOLLY KIDDIE MEAL		4-2016-506501		16 & 35
Philippines	JOLLY KIDDIE MEAL		4-2016-506504		16 & 35
Philippines	JOLLY KRUNCHY TWIRL	JOLLY KRUNCHY TWIRL	4-2005-001998	18-Sep-16	29 & 30
Philippines	JOLLY SHAKES WRITTEN IN COLORS RED AND ORANGE ENCLOSED BY A RECTANGLE SHADED IN		4-2003-001019	20-Nov-16	29, 30
Philippines	JOLLY WORD MARK - MAIN	JOLLY	4-2013-012443		29, 30, 32
Philippines	JOY IN EVERY BOX	JOY IN EVERY BOX	4-2015-507152	26-May-16	16, 28 & 35
Philippines	JOY IN EVERY KID'S MEAL	JOY IN EVERY KID'S MEAL	4-2015-507153	26-May-16	16, 28 & 35
Philippines	JUICYLICIOUS	JUICYLICIOUS	4-2012-000564	09-May-13	29
Philippines	Kain-Pinoy	Kain-Pinoy	4-2015-505803		29, 35 & 43
Philippines	LANGHAP SARAP	LANGHAP SARAP	4-2009-003033	12-Nov-09	29, 30
Philippines	LASAP ANG BBQ SARAP	LASAP ANG BBQ SARAP	4-2013-007661	07-Apr-16	29 & 35
Philippines	MAAGA ANG PASKO	MAAGA ANG PASKO	4-2012-001251	11-May-12	36
Philippines	MANG INASAL		4-2012-004769	04-Oct-12	29 & 43
Philippines	MANG INASAL CREMA DE LECHE	MANG INASAL CREMA DE LECHE	4-2014-505229	14-May-15	30
Philippines	MANG INASAL DEVICE (IN COLOR)		4-2014-505403	21-May-15	29 & 43
Philippines	Mang Inasal Liempo Inasal	MANG INASAL LIEMPO INASAL	4-2016-506636		29 & 43
Philippines	MANONG PEPE KARINDERIA		4-2016-504183	20-Oct-16	29, 30 & 43

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	MANONG PEPE KARINDERIA		4-2016-504184	20-Oct-16	29, 30 & 43
Philippines	MOCHAMON	MOCHAMON	4-2014-503719	30-Oct-14	30
Philippines	NEW RED RIBBON COLD BLENDS AND DEVICE		4-2009-006836	06-May-10	29
Philippines	NEW RED RIBBON HOT BREWS AND DEVICE		4-2016-503406	22-Sep-16	30
Philippines	NUOT SA IHAW SARAP	NUOT SA IHAW SARAP	4-2015-503421		29 & 35
Philippines	OVERFLOW	OVERFLOW	4-2015-500254	18-Jun-15	30
Philippines	OVERLOADED	OVERLOADED	4-2013-002473	20-Jun-13	29, 30 & 35
Philippines	OVERLOADED PIZZAS	OVERLOADED PIZZAS	4-2008-006890	27-Aug-09	30
Philippines	P99 PAIRS	P99 PAIRS	4-2016-504734		29, 30, 32 & 43
Philippines	P99 PERFECT PAIRS	P99 PERFECT PAIRS	4-2016-504736		29, 30, 32 & 43
Philippines	PABORITO MEAL	PABORITO MEAL	4-2012-012807	05-Mar-15	29, 30
Philippines	PABORITO VALUE MEAL	PABORITO VALUE MEAL	4-2012-012806	26-May-16	29, 30
Philippines	PERFECT PAIRS	PERFECT PAIRS	4-2016-504735	22-Dec-16	29, 30, 32 & 43
Philippines	POPO MASCOT DESIGN		4-2008-007564	23-Jul-09	16, 18, 20, 21, 24, 25, 27, 28, 41
Philippines	POPO MASCOT HOUSE		4-2010-005364	21-Oct-10	16, 18, 25, 28, 41
Philippines	POPO MASCOT HOUSE		4-2010-005369	14-Oct-10	16, 18, 25, 28, 41
Philippines	RED RIBBON & RIBBON DEVICE		4-2009-006264	07-Jan-10	25
Philippines	RED RIBBON BOX LOGO		4-2009-006265	07-Jan-10	25, 30 & 43

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	RED RIBBON BUTTER MAMON		4-2011-015226	29-Mar-12	30
Philippines	RED RIBBON RAINBOW CAKE	RED RIBBON RAINBOW CAKE	4-2016-503906		30
Philippines	RED RIBBON RAINBOW DEDICATION CAKE	RED RIBBON RAINBOW DEDICATION CAKE	4-2016-503905		30
Philippines	RED RIBBON STYLIZED		4-2009-006268	07-Jan-10	25, 30 & 43
Philippines	SA SAUCE AT SANGKAP OHH SARAP	SA SAUCE AT SANGKAP OHH SARAP	4-2015-503422		30 & 35
Philippines	Sarap ng Kain-Pinoy	Sarap ng Kain-Pinoy	4-2015-505804		29, 35 & 43
Philippines	SARAP NG KAING PINOY!	SARAP NG KAING PINOY!	4-2016-502536		29 & 43
Philippines	SARAP TUMULONG LOGO		4-2008-009438	23-Feb-09	43, 44
Philippines	SHARE THE JOY OF PAYDAY	SHARE THE JOY OF PAYDAY	4-2013-003891	12-Sep-13	35
Philippines	SOLB	SOLB	4-2016-503316	15-Sep-16	29, 35 & 43
Philippines	SUPERSANGKAP	SUPERSANGKAP	4-2015-500395	21-May-15	30
Philippines	TRIPLE CHOCOLATE ROLL	TRIPLE CHOCOLATE ROLL	4-2015-502619	22-Dec-16	30
Philippines	TWIRLIE MASCOT DESIGN		4-2008-007561	23-Jul-09	16, 18, 20, 21, 24, 25, 27, 28, 41
Philippines	TWIRLIE MASCOT HOUSE		4-2010-005363	21-Oct-10	16, 18, 25, 28, 41
Philippines	TWIRLIE MASCOT HOUSE		4-2010-005370	14-Oct-10	16, 18, 25, 28, 41
Philippines	UBEMON	UBEMON	4-2014-503716	30-Oct-14	30
Philippines	ULTIMATE	ULTIMATE	4-2013-002474	20-Jun-13	29, 30 & 35
Philippines	ULTIMATE BURGER STEAK	ULTIMATE BURGER STEAK	4-2013-006004		29

Country	Title of Trademark	Representation of Trademark	Registration no.	Registration Date	Class/es
Philippines	ULTIMATE BURGER STEAK		4-2013-006363	23-Oct-14	29
Philippines	ULTIMATE GREENCARD	ULTIMATE GREENCARD	4-2014-505306	09-Apr-15	9, 16, 35 & 36
Philippines	ULTIMATE OVERLOAD	ULTIMATE OVERLOAD	4-2015-507057	07-Apr-16	30
Philippines	WACKY WINGS	WACKY WINGS	4-2015-500334	29-Oct-15	29
Philippines	WOW SA LAKI, NUOT SA SARAP!	WOW SA LAKI, NUOT SA SARAP!	4-2012-015238	17-Oct-13	29, 35
Philippines	YUM	YUM	4-2003-008177	11-Nov-10	29, 43
Philippines	YUM MASCOT DESIGN		4-2008-007565	23-Jul-09	16, 18, 20, 21, 24, 25, 27, 28, 41
Philippines	YUM MASCOT HOUSE		4-2010-005362	06-Jan-11	16, 18, 25, 28 & 41
Philippines	YUM MASCOT HOUSE		4-2010-005371	14-Oct-10	16, 18, 25, 28, 41

INTERNATIONAL

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Afghanistan	BEE HEAD DEVICE		5985	7-May-16	29
Afghanistan	BEE HEAD DEVICE		5985	7-May-16	43
Afghanistan	CHAMP (WORD MARK)		5995	7-May-16	29
Afghanistan	CHICKENJOY (WORD MARK)		5991	7-May-16	29
Afghanistan	CHICKENJOY (WORD MARK)		5992	7-May-16	43
Afghanistan	EVERYDAY DELICIOUS (WORD MARK)		5996	7-May-16	35
Afghanistan	BEE DEVICE		5988	7-May-16	43
Afghanistan	BEE DEVICE		5987	7-May-16	29
Afghanistan	JOLLIBEE (WORD MARK)		5989	7-May-16	29
Afghanistan	JOLLIBEE (WORD MARK)		5990	7-May-16	43
Afghanistan	JOLLY (WORD MARK)		5993	7-May-16	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Afghanistan	YUM (WORD MARK)		5994	7-May-16	29
Argentina	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		1997309 / 1,652,377	29-Aug-95 / 3-Dec-97	42
Australia	3 BEES DEVICE		654121	24-Feb-95	42
Australia	CHOWKING (WORD MARK)		751114	16-Dec-97	29, 30, 42
Australia	YONGHE KING (WORD MARK)		1487046	23-Apr-12	30, 43
Australia	YONGHE KING (CHINESE CHARACTERS)		1487045	23-Apr-12	30, 43
Australia	YONGHE KING AND DEVICE		1487043	23-Apr-12	30, 43
Australia	BEE HEAD DEVICE		1666161	23-Dec-14	29, 43
Australia	CHICKENJOY (WORD MARK)		1666176	23-Dec-14	29, 43
Australia	CK AND DEVICE		1782704	23-Dec-14	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Australia	CK AND DEVICE		1666181	23-Dec-14	43
Australia	CHOWKING (WORD MARK)		1666179	23-Dec-14	30, 43
Australia	CHOWKING (CHINESE CHARACTERS)		1666180	23-Dec-14	30, 43
Australia	EVERYDAY DELICIOUS (WORD MARK)		1666177	23-Dec-14	35
Australia	BEE DEVICE		1666168	23-Dec-14	29, 43
Australia	JOLLIBEE (WORD MARK)		1666158	23-Dec-14	29, 43
Australia	YONGHE KING AND DEVICE		1666149	23-Dec-14	30, 43
Australia	RED RIBBON AND DEVICE		1691625	5-May-15	30, 43
Australia	RED RIBBON (WORD MARK)		1691629	5-May-15	30, 43
Australia	G AND DEVICE		1772276	23-May-16	30, 43
Australia	GREENWICH (WORD MARK)		1772271	23-May-16	30, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Australia	MANG INASAL AND DEVICE		1772278	23-May-16	29, 43
Australia	MANG INASAL (WORD MARK)		1772277	23-May-16	29, 43
Australia	CHOWKING (CHINESE CHARACTERS)		1817919	23-Dec-16	30, 43
Australia	CK CHOWKING WITH CHINESE CHARACTERS (STYLIZED COLOR) AND DEVICE		1817908	23-Dec-16	30, 43
Bahrain	JOLLIBEE AND 3 BEES DEVICE		1070/95 / S1718	2-Aug-95	42
Bahrain	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		1068/95 / TM 19220	2-Aug-95 / 10-Feb-98	29
Bahrain	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		1069/95 / SM 1717	2-Aug-95 / 18-Dec-96	42
Bahrain	BEE DEVICE (COLOR)		80980	15-Apr-10	43
Bahrain	BEE DEVICE (COLOR)		80978	15-Apr-10	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Bahrain	BEE DEVICE (COLOR)		80979	15-Apr-10	30
Bahrain	BEE DEVICE (COLOR)		80976	15-Apr-10	30
Bahrain	BEE DEVICE (COLOR)		80977	15-Apr-10	43
Bahrain	BEE DEVICE (COLOR)		80975	15-Apr-10	29
Bahrain	CHOWKING (WORD MARK)		81608	26-May-10	43
Bahrain	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE (COLOR)		83842	4-Nov-10	43
Bahrain	BEE HEAD DEVICE		91758	24-Apr-12	43
Bahrain	BEE HEAD DEVICE		91757	24-Apr-12	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Bahrain	CHICKENJOY (WORD MARK)		91759	24-Apr-12	29
Bahrain	CHICKENJOY (WORD MARK)		91760	24-Apr-12	43
Bahrain	CHOWKING (WORD MARK)		91761	24-Apr-12	30
Bahrain	CHOWKING (CHINESE CHARACTERS)	超群	91762	24-Apr-12	30
Bahrain	CHOWKING (CHINESE CHARACTERS)	超群	91763	24-Apr-12	43
Bahrain	JOLLIBEE (WORD MARK)		91755	24-Apr-12	29
Bahrain	JOLLIBEE (WORD MARK)		91756	24-Apr-12	43
Bahrain	MANG INASAL AND DEVICE		91754	24-Apr-12	43
Bahrain	MANG INASAL AND DEVICE		91753	24-Apr-12	29
Bahrain	MANG INASAL (WORD MARK)		91752	24-Apr-12	43
Bahrain	MANG INASAL (WORD MARK)		91750	24-Apr-12	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Bahrain	CK AND DEVICE		91765	25-Apr-12	30
Bahrain	CK AND DEVICE		91766	25-Apr-12	43
Bahrain	CHAMP (WORD MARK)		96797	17-Mar-13	29
Bahrain	EVERYDAY DELICIOUS (WORD MARK)		96788	17-Mar-13	35
Bahrain	BEE DEVICE		96798	17-Mar-13	29
Bahrain	BEE DEVICE		96786	17-Mar-13	43
Bahrain	YUM (WORD MARK)		96817	17-Mar-13 / 16-Nov-15	29
Bahrain	JOLLY (WORD MARK)		100636	3-Nov-13	30
Bahrain	G GREENWICH PIZZA AND PASTA (COLOR)		114464	10-Feb-16 / 28-Dec-16	30
Bahrain	G GREENWICH PIZZA AND PASTA (COLOR)		114465	10-Feb-16 / 28-Dec-16	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Bahrain	G AND DEVICE		114462	10-Feb-16 / 28-Dec-16	30
Bahrain	G AND DEVICE		114463	10-Feb-16 / 28-Dec-16	43
Bahrain	GREENWICH (WORD MARK)		114461	10-Feb-16 / 28-Dec-16	43
Bahrain	GREENWICH (WORD MARK)		114460	10-Feb-16 / 28-Dec-16	30
Bahrain	JOLLIBEE (ARABIC SCRIPT)	جوليبى	116614	28-Jun-16	43
Bahrain	RED RIBBON AND DEVICE		116750	13-Jul-16	43
Bahrain	RED RIBBON AND DEVICE		116749	13-Jul-16	30
Bahrain	RED RIBBON (WORD MARK)		116748	13-Jul-16	43
Bahrain	RED RIBBON (WORD MARK)		116747	13-Jul-16	30
Brazil	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		818935359	15-Dec-95 / 30-Nov-99	38
Brunei Darussalam	JOLLIBEE AND BEE HEAD DEVICE		36,341	24-Jun-04	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Brunei Darussalam	BEE HEAD DEVICE		42,856	26-Apr-12	29, 43
Brunei Darussalam	CHICKENJOY (WORD MARK)		42,855	26-Apr-12	29, 43
Brunei Darussalam	JOLLIBEE (WORD MARK)		42,857	26-Apr-12	29, 43
Brunei Darussalam	MANG INASAL AND DEVICE		42,850	26-Apr-12	29, 43
Brunei Darussalam	MANG INASAL (WORD MARK)		42,849	26-Apr-12	29, 43
Brunei Darussalam	CHAMP (WORD MARK)		43909	14-Mar-13	29
Brunei Darussalam	EVERYDAY DELICIOUS (WORD MARK)		43908	14-Mar-13	35
Brunei Darussalam	BEE DEVICE		43,918	14-Mar-13	29, 42
Brunei Darussalam	YUM (WORD MARK)		43937	14-Mar-13	29
Cambodia	BEE HEAD DEVICE		KH/46002/12	11-May-12 / 26-Dec-12	43

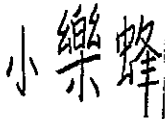
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Cambodia	BEE HEAD DEVICE		KH/46001/12	11-May-12 / 26-Dec-12	29
Cambodia	CHICKENJOY (WORD MARK)		KH/46004/12	11-May-12 / 29-Mar-13	43
Cambodia	CHICKENJOY (WORD MARK)		KH/46003/12	11-May-12 / 1-Apr-13	29
Cambodia	JOLLIBEE (WORD MARK)		KH/46000/12	11-May-12 / 26-Dec-12	43
Cambodia	JOLLIBEE (WORD MARK)		KH/45999/12	11-May-12 / 26-Dec-12	29
Cambodia	CHAMP (WORD MARK)		50600 / 47542	12-Mar-13 / 4-Sep-13	29
Cambodia	EVERYDAY DELICIOUS (WORD MARK)		50601 / 47543	12-Mar-13 / 4-Sep-13	35
Cambodia	BEE DEVICE		50597 / 47540	12-Mar-13 / 4-Sep-13	29
Cambodia	BEE DEVICE		50598 / 47541	12-Mar-13 / 4-Sep-13	43
Canada	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE	 <i>Great Burgers Great Chicken</i>	783671 / 727149	26-May-95 / 28-Oct-08	29, 42
Cambodia	YUM	YUM	KH/50876/14	7-Apr-14	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Canada	BEE HEAD DEVICE		1324318 / 761468	16-Nov-06 / 11-Mar-10	43
Canada	JOLLIBEE (WORD MARK)		1324317 / 761476	16-Nov-06 / 11-Mar-10	29, 30, 32, 42, 43
Canada	LAO DONG (WORD MARK)		1418009 / 851560	10-Nov-08 / 24-May-13	29, 30, 43
Canada	LAO DONG (CHINESE CHARACTERS)	老董	1418010 / 851462	10-Nov-08 / 23-May-13	29, 30, 43
Canada	LAO DONG SINCE 1950 DEVICE (COLOR)		1418008 / 851433	10-Nov-08 / 23-May-13	29, 30, 43
Canada	CHOWKING (STYLIZED)		1 522 519 / 817913	1-Apr-11 / 17-Feb-12	43
Canada	CK AND DEVICE		1574959 / 880977	25-Apr-12 / 30-Jun-14	30, 43
Canada	CHOWKING (WORD MARK)		1574962 / 880976	25-Apr-12 / 30-Jun-14	30, 43
Canada	CHOWKING (CHINESE CHARACTERS)	超群	1574961 / 880978	25-Apr-12 / 30-Jun-14	30, 43
Canada	CHAMP (WORD MARK)		1617855	20-Mar-13	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Canada	BEE DEVICE		1617851	20-Mar-13	29, 43
Canada	JOLLIBEE CHICKENJOY (WORD MARK)		1685662	17-Jul-14	29, 43
Canada	MANG INASAL (WORD MARK)		1696605	3-Oct-14	29, 43
Canada	RED RIBBON AND DEVICE		1724788	21-Apr-15	30, 43
Canada	RED RIBBON (WORD MARK)		1724787	21-Apr-15	29, 30, 32, 43
Canada	JOLLY (WORD MARK)		1756916	27-Nov-15	30
Canada	JOLLY HOTDOG (WORD MARK)		1756914	27-Nov-15	29
Canada	JOLLY BURGER (WORD MARK)		1757228	1-Dec-15	30
Canada	JOLLY CHICKEN (WORD MARK)		1757227	1-Dec-15	29
Canada	JOLLY SPAGHETTI (WORD MARK)		1757226	1-Dec-15	30
Canada	JOLLY CRISPY FRIES (WORD MARK)		1761602	30-Dec-15	29
Canada	JOLLY KRUNCHY TWIRL (WORD MARK)		1761599	30-Dec-15	29, 30
Canada	JOLLY VANILLA TWIRL (WORD MARK)		1761601	30-Dec-15	29, 30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Canada	G AND DEVICE		1784034	25-May-16	30, 43
Canada	GREENWICH (WORD MARK)		1784035	25-May-16	30, 43
Canada	JOLLIBEE HALO HALO SUNDAE (WORD MARK)		1786752	13-Jun-16	29, 30
Canada	JOLLY CRISPY CHICKEN (WORD MARK)		1786751	13-Jun-16	29
Canada	MANG INASAL (WORD MARK)		1808752	9-Nov-16	29
Canada	MANG INASAL AND DEVICE		1808753	9-Nov-16	29
Czech Republic	3 BEES DEVICE		104009 / 196474	19-Sep-95 / 3-Jan-97	29, 30, 32, 42
Egypt	3 BEES DEVICE		95740	18-May-95 / 14-Feb-01	42
Egypt	3 BEES DEVICE		95741	18-May-95 / 17-Jan-01	29
Egypt	BEE DEVICE		95742	18-May-95 / 17-Jan-01	42
Hong Kong	JOLLIBEE (WORD		300352025	11-Jan-05	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
	MARK)				
Hong Kong	RED RIBBON AND DEVICE		300408906	25-Apr-05	43
Hong Kong	LAO DONG (WORD MARK)		301244240	21-Nov-08	29, 30, 43
Hong Kong	LAO DONG (CHINESE CHARACTERS)	老董	301244268	21-Nov-08	29, 30, 43
Hong Kong	LAO DONG SINCE 1950 DEVICE		301244259	21-Nov-08	29, 30, 43
Hong Kong	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE		301730060	6-Oct-10	43
Hong Kong	CHOWKING (WORD MARK)		B14465/2003	12-Jun-02	42
Hong Kong	JOLLIBEE (CHINESE CHARACTERS)	小樂蜂	09486 of 1996	1-Mar-95	29
Hong Kong	JOLLIBEE (CHINESE CHARACTERS)	小樂蜂	09487 of 1996	1-Mar-95	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Hong Kong	JOLLIBEE (CHINESE CHARACTERS)		09488 of 1996	1-Mar-95	32
Hong Kong	JOLLIBEE (CHINESE CHARACTERS)		09489 of 1996	1-Mar-95	42
India	JOLLIBEE AND BEE HEAD DEVICE	 Jollibee	1356313	10-May-05	42
India	JOLLIBEE AND BEE HEAD DEVICE	 Jollibee	1367743	29-Jun-05	29, 30
India	YONGHE KING (CHINESE CHARACTERS)		2321902	25-Apr-12	30, 43
India	YONGHE KING DEVICE		2321900	25-Apr-12	30, 43
India	YONGHE KING (WORD MARK)		2321901	25-Apr-12	30, 43
India	CHAMP (WORD MARK)		2855781	3-Dec-14	29
India	CHICKENJOY (WORD MARK)		2855782	3-Dec-14	29, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
India	BEE DEVICE		2855779	3-Dec-14	29, 43
India	YUM (WORD MARK)		2855780	3-Dec-14	29
India	CK AND DEVICE		2855797	4-Dec-14	30, 43
India	CHOWKING (WORD MARK)		2855796	4-Dec-14	30, 43
India	CHOWKING	CHOWKING	1252800	2-Dec-03	42
India	CHOWKING (CHINESE CHARACTERS)		2855795	4-Dec-14	30, 43
India	BEE HEAD DEVICE		2860866	10-Dec-14 / 12-Oct-14	29, 43
India	JOLLIBEE (WORD MARK)		2860855	10-Dec-14	29, 43
India	YONGHE KING DEVICE		2865485	18-Dec-14	30, 43
India	CHAMP (WORD MARK)		3238600	19-Apr-16	30
India	YUM (WORD MARK)		3238599	19-Apr-16	30
India	JOLLY SPAGHETTI (WORD MARK)		3252108	5-May-16	30
India	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		3253269	6-May-16	29, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
India	CRISPYLICIOUS (WORD MARK)		3339898	18-Aug-16	29
India	JUICYLICIOUS (WORD MARK)		3339899	18-Aug-16	29
Indonesia	ES SALJU CAMPUR HALO HALO (WORD MARK)		D00-2008-042959	3-Dec-08	30
Indonesia	INDORIENTAL (WORD MARK)		D00-2008-042962 / IDM000371267	3-Dec-08 / 12-Oct-12	30
Indonesia	INDORIENTAL (WORD MARK)		D00-2008-042966 / IDM000371264	3-Dec-08 / 12-Oct-12	29
Indonesia	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE		J00-2010-037232 / IDM000395688	18-Oct-10 / 26-Aug-13	43
Indonesia	BEE HEAD DEVICE		D00-2012-022535	11-May-12	29
Indonesia	BEE HEAD DEVICE		J00-2012-022539	11-May-12	43
Indonesia	CHICKENJOY (WORD MARK)		D00-2012-022543	11-May-12	29
Indonesia	CHICKENJOY (WORD MARK)		J00-2012-022547	11-May-12	43
Indonesia	CK AND DEVICE		D00-2012-022541 / IDM000441080	11-May-12 / 5-Dec-14	30
Indonesia	CHOWKING (WORD MARK)		J00-2012-022540	11-May-12	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Indonesia	CHOWKING (WORD MARK)		D00-2012-022537 / IDM000441088	11-May-12 / 5-Dec-14	30
Indonesia	CHOWKING (CHINESE CHARACTERS)	超群	D00.2012.022548	11-May-12	30
Indonesia	CHOWKING (CHINESE CHARACTERS)	超群	J00.2012.022553	11-May-12	43
Indonesia	JOLLIBEE (WORD MARK)		J00-2012-022551	11-May-12	43
Indonesia	JOLLIBEE (WORD MARK)		D00-2012-0022546	11-May-12	29
Indonesia	MANG INASAL AND DEVICE		J00-2012-022521	11-May-12	43
Indonesia	MANG INASAL (WORD MARK)		J00.2012.022517	11-May-12	43
Indonesia	CHAMP (WORD MARK)		D00.2013.015229	3-Apr-13	29
Indonesia	EVERYDAY DELICIOUS (WORD MARK)		J00.2013.015227 / IDM000485452	3-Apr-13 / 27-Jul-15	35
Indonesia	BEE DEVICE		J00.2013.015228	3-Apr-13	43
Indonesia	BEE DEVICE		D00.2013.015232	3-Apr-13	29
Indonesia	YUM (WORD MARK)		D00.2013.015230	3-Apr-13	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Indonesia	JOLLIBEE AND BEE HEAD DEVICE (SERIES MARK)		R14885/2013 / IDM000004618	30-Sep-13 / 30-Sep-13	43
Indonesia	BEE HEAD DEVICE		D002015001765	16-Jan-15	25
Indonesia	JOLLIBEE (WORD MARK)		D002015001767	16-Jan-15	25
Indonesia	BEE DEVICE		D002015001763	16-Jan-15	25
Indonesia	JOLLIBEE BEEFBURGER GREAT BURGERS GREAT CHICKEN AND DEVICE		R5853/2015 / IDM000431821	24-Apr-05	42
Indonesia	JOLLIBEE BEEFBURGER GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		R7455/2015 / IDM000431820	6-May-15	29
Israel	JOLLIBEE AND BEE HEAD DEVICE		100922	20-Sep-95 / 20-Sep-02	29
Israel	JOLLIBEE AND BEE HEAD DEVICE		100923	20-Sep-95 / 20-Sep-02	42
Italy	CHOWKING (WORD MARK)		MI1999C007297 / 1382558	12-Jul-99 / 3-Dec-10	8, 16, 21, 25, 29, 30, 31, 32, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Italy	BEE HEAD DEVICE		MI2012C004989 / 1521187	15-May-12 / 10-Dec-12	29, 43
Italy	CHICKENJOY (WORD MARK)		MI2012C004988 / 1521186	15-May-12 / 10-Dec-12	29, 43
Italy	CK AND DEVICE		MI2012C004985 / 1521183	15-May-12 / 10-Dec-12	30, 43
Italy	CHOWKING (CHINESE CHARACTERS)		MI2012C004986 / 1521184	15-May-12 / 10-Dec-12	30, 43
Italy	JOLLIBEE (WORD MARK)		MI2012C004987 / 1521185	15-May-12 / 10-Dec-12	29, 43
Italy	CHAMP (WORD MARK)		MI2013C002500 / 1571901	13-Mar-13 / 20-Jan-14	29
Italy	EVERYDAY DELICIOUS (WORD MARK)		MI2013C002501 / 1561497	13-Mar-13 / 2-Oct-13	35
Italy	BEE DEVICE		MI2013C002502 / 1561496	13-Mar-13 / 2-Oct-13	29, 43
Italy	YUM (WORD MARK)		MI2013C002503 / 1571900	13-Mar-13 / 20-Jan-14	29
Italy	RED RIBBON AND DEVICE		MI2015C003842 / 1667104	5-May-15 / 2-Mar-16	30, 43
Italy	RED RIBBON (WORD MARK)		MI2015C003841 / 1667105	5-May-15 / 2-Mar-16	30, 43
Italy	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		3.02015E+14	27-Nov-15	29, 43

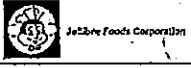
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Italy	G AND DEVICE		3.02016E+14	24-May-16	30, 43
Italy	GREENWICH (WORD MARK)		3.02016E+14	24-May-16	30, 43
Italy	MANG INASAL AND DEVICE		3.02016E+14	24-May-16	29, 43
Italy	MANG INASAL (WORD MARK)		3.02016E+14	24-May-16	29, 43
Japan	SAN PIN WANG (CHINESE CHARACTERS)		2012-004594 / 5520667	26-Jan-12 / 7-Sep-12	30, 43
Japan	YONGHE KING CHINESE CHARACTERS)		2012-033680 / 5520851	26-Apr-12 / 7-Sep-12	30, 43
Japan	YONGHE KING (WORD MARK)		2012-033679 / 5520850	26-Apr-12 / 7-Sep-12	30, 43
Japan	YONGHE KING DEVICE		2013-027041 / 5604587	11-Apr-13 / 2-Aug-13	30, 43
Japan	SAN PIN WANG (CHINESE CHARACTERS)		2013-029160 / 5606487	18-Apr-13 / 9-Aug-13	30, 43
Japan	SAN PIN WANG DEVICE		2013-029161 / 5606488	18-Apr-13 / 9-Aug-13	30, 43
Japan	BEE HEAD DEVICE		2014-104750 / 5814835	11-Dec-14 / 18-Dec-15	29, 30, 32, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Japan	CHAMP (WORD MARK)		2014-104753 / 5842079	11-Dec-14 / 15-Apr-16	30
Japan	CHICKENJOY (WORD MARK)		2014-104754 / 5755936	11-Dec-14 / 3-Apr-15	29, 43
Japan	EVERYDAY DELICIOUS (WORD MARK)		2014-104755 / 5753946	11-Dec-14 / 27-Mar-15	35
Japan	BEE DEVICE		2014-104751 / 5814836	11-Dec-14 / 18-Dec-15	29, 30, 32, 43
Japan	JOLLIBEE (WORD MARK)		2014-104749 / 5854408	11-Dec-14 / 27-May-16	29, 30, 32, 43
Japan	YUM (WORD MARK)		2014-104752 / 5755935	11-Dec-14 / 3-Apr-15	30
Japan	YONGHE KING DEVICE		2015-003106 / 5765763	15-Jan-15 / 22-May-15	30, 43
Japan	JOLLIBEE CHAMP (WORD MARK)		2015-056995 / 5803627	16-Jun-15 / 30-Oct-15	30
Japan	CK AND DEVICE		2016-056219	25-May-16	30, 43
Japan	CHOWKING (WORD MARK)		2016-056217	25-May-16	30, 43
Japan	CHOWKING (CHINESE CHARACTERS)		2016-056218	25-May-16	30, 43
Japan	G AND DEVICE		2016-056221	25-May-16	30, 43
Japan	GREENWICH (WORD MARK)		2016-056220	25-May-16	30, 43
Japan	RED RIBBON AND DEVICE		2016-058090	30-May-16	30, 32, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Japan	RED RIBBON (WORD MARK)		2016-058089	30-May-16	30, 32
Japan	RED RIBBON (WORD MARK)		2016-059413	1-Jun-16	43
Japan	MANG INASAL AND DEVICE		2016-060866	3-Jun-16	29, 30, 43
Japan	MANG INASAL (WORD MARK)		2016-060865	3-Jun-16	29, 30, 43
Japan	JOLLIBEE AND BEE HEAD DEVICE		3249420	31-Jan-97	29
Japan	JOLLIBEE AND BEE HEAD DEVICE		3251544	31-Jan-97	30
Japan	JOLLIBEE AND BEE HEAD DEVICE		3282959	18-Apr-97	32
Japan	JOLLIBEE AND BEE HEAD DEVICE		4013499	20-Jun-97	42
Jordan	BEE HEAD DEVICE		121001	22-Nov-11 / 6-Dec-12	43
Jordan	JOLLIBEE (WORD MARK)		121002	22-Nov-11 / 6-Dec-12	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		95-12356	21-Dec-95	42
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		95-48721 / 369351	21-Dec-95 / 18-Jul-97	29
Korea - Republic of (South)	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		96-11545 / 377580	23-Mar-96 / 8-Oct-97	2
Korea - Republic of (South)	LAO DONG (WORD MARK)		2008-0004768 / 31990	21-Nov-08 / 9-Aug-10	29, 30, 43
Korea - Republic of (South)	LAO DONG (CHINESE CHARACTERS)	老董	2008-0004767 / 31989	21-Nov-08 / 9-Aug-10	29, 30, 43
Korea - Republic of (South)	LAO DONG SINCE 1950 DEVICE		2008-0004766 / 31988	21-Nov-08 / 9-Aug-10	29, 30, 43
Korea - Republic of (South)	BEE HEAD DEVICE		45-2012-0002341 / 48276	7-May-12 / 21-Feb-14	29, 43
Korea - Republic of (South)	CHICKENJOY (WORD MARK)		45-2012-0002342 / 46615	7-May-12 / 17-Oct-13	29, 43
Korea - Republic of (South)	JOLLIBEE (WORD MARK)		45-2012-0002340 / 48272	7-May-12 / 21-Feb-14	29, 43

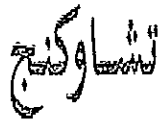
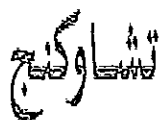
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Korea - Republic of (South)	CHAMP (WORD MARK)		40-2013-0016098	14-Mar-13	29
Korea - Republic of (South)	CHAMP	CHAMP	40-1071265	21-Nov-14	30
Korea - Republic of (South)	YUM	YUM	40-1080537	09-Jan-15	30
Korea - Republic of (South)	BEE DEVICE		45-2013-0001412 / 48629	14-Mar-13 / 18-Mar-14	29, 43
Korea - Republic of (South)	YUM (WORD MARK)		40-2013-0016097	14-Mar-13	29
Korea - Republic of (South)	JOLLIBEE AND BEE HEAD DEVICE		40-0358457	21-Mar-97	29, 30
Korea - Republic of (South)	JOLLIBEE AND BEE HEAD DEVICE		40-0372192	9-Aug-97	32
Korea - Republic of (South)	JOLLIBEE AND BEE HEAD DEVICE		40-0372105	8-Aug-97	29, 30
Kuwait	JOLLIBEE AND BEE HEAD DEVICE		32460 / 29945	26-Nov-95 / 26-Nov-95	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Kuwait	JOLLIBEE AND BEE HEAD DEVICE		32461 / 29947	26-Nov-95 / 25-Nov-05	30
Kuwait	JOLLIBEE AND BEE HEAD DEVICE		32462 / 29403	26-Nov-95 / 25-Nov-05	32
Kuwait	JOLLIBEE FOODS CORPORATION AND BEE HEAD DEVICE		32463 / 29946	26-Nov-95 / 25-Nov-05	43
Kuwait	JOLLIBEE AND BEE HEAD DEVICE		36669 / 99734	28-May-97	29
Kuwait	JOLLIBEE AND 3 BEES DEVICE		36670 / 99735	28-May-97	42
Kuwait	JOLLIBEE AND 3 BEES DEVICE		36671 / 99736	28-May-97	42
Kuwait	CHOWKING (WORD MARK)		61844 / 62236	23-Nov-03	43
Kuwait	BEE DEVICE (COLOR)		112418 / 95851	13-Jun-10	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Kuwait	BEE DEVICE (COLOR)		112419 / 95852	13-Jun-10	43
Kuwait	BEE DEVICE (COLOR)		112417 / 95850	13-Jun-10	29
Kuwait	JOLLIBEE AND BEE HEAD DEVICE	 Jollibee	112416 / 95849	13-Jun-10	43
Kuwait	JOLLIBEE AND BEE HEAD DEVICE	 Jollibee	112414 / 95847	13-Jun-10	29
Kuwait	JOLLIBEE AND BEE HEAD DEVICE	 Jollibee	112415 / 95848	13-Jun-10	30
Kuwait	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE (COLOR)		115247	13-Oct-10	43
Kuwait	CHOWKING WITH CHINESE CHARACTERS (STYLIZED COLOR)		122465	24-Jul-11	29
Kuwait	CHOWKING WITH CHINESE CHARACTERS (STYLIZED COLOR)		122466 / 109107	24-Jul-11	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Kuwait	CHOWKING WITH CHINESE CHARACTERS (STYLIZED COLOR)		122467 / 109108	24-Jul-11	43
Kuwait	BEE HEAD DEVICE		129537	23-Apr-12	29
Kuwait	BEE HEAD DEVICE		129538	23-Apr-12	43
Kuwait	CHICKENJOY (WORD MARK)		129539	23-Apr-12	29
Kuwait	CHICKENJOY (WORD MARK)		129540	23-Apr-12	43
Kuwait	CK AND DEVICE		129548 / 109244	23-Apr-12	30
Kuwait	CK AND DEVICE		129549 / 109397	23-Apr-12	43
Kuwait	CHOWKING (WORD MARK)		129545	23-Apr-12	30
Kuwait	CHOWKING (CHINESE CHARACTERS)		129546	23-Apr-12	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Kuwait	CHOWKING (CHINESE CHARACTERS)		129547 / 109243	23-Apr-12	43
Kuwait	JOLLIBEE (WORD MARK)		129535	23-Apr-12	29
Kuwait	JOLLIBEE (WORD MARK)		129536	23-Apr-12	43
Kuwait	MANG INASAL AND DEVICE		129543	23-Apr-12	29
Kuwait	MANG INASAL AND DEVICE		129544	23-Apr-12	43
Kuwait	MANG INASAL (WORD MARK)		129541	23-Apr-12	29
Kuwait	MANG INASAL (WORD MARK)		129542	23-Apr-12	43
Kuwait	CHAMP (WORD MARK)		138830	2-Apr-13	29
Kuwait	EVERYDAY DELICIOUS (WORD MARK)		138831	2-Apr-13	35
Kuwait	BEE DEVICE		138827	2-Apr-13	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Kuwait	BEE DEVICE		138828	2-Apr-13	43
Kuwait	YUM (WORD MARK)		138829	2-Apr-13	29
Kuwait	CHOWKING (COLOR ARABIC SCRIPT)		150024 / 135205	27-Mar-14	43
Kuwait	CHOWKING (COLOR ARABIC SCRIPT)		150023 / 135204	27-Mar-14	30
Kuwait	G AND DEVICE		180884	5-Jun-16	30
Kuwait	G AND DEVICE		180885	5-Jun-16	43
Kuwait	GREENWICH (WORD MARK)		180882	5-Jun-16	30
Kuwait	GREENWICH (WORD MARK)		180883	5-Jun-16	43
Kuwait	RED RIBBON AND DEVICE		180889	5-Jun-16	43
Kuwait	RED RIBBON AND DEVICE		180888	5-Jun-16	30
Kuwait	RED RIBBON (WORD MARK)		180887	5-Jun-16	43
Kuwait	RED RIBBON (WORD MARK)		180886	5-Jun-16	30

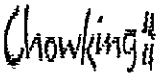
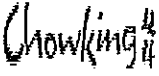
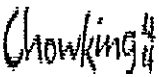
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Kuwait	JOLLIBEE (ARABIC SCRIPT)		180970	8-Jun-16	43
Lebanon	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		66960	20-Sep-95	29, 42
Malaysia	JOLLIBEE AND BEE HEAD DEVICE		95003171	8-Apr-95	29
Malaysia	JOLLIBEE (WORD MARK)		2359	3-Mar-00	43
Malaysia	BEE HEAD DEVICE (SERIES MARK)		2000-02358	3-Mar-00	43
Malaysia	BEE HEAD DEVICE		2012052510	23-Apr-12	43
Malaysia	BEE HEAD DEVICE		2012052508	23-Apr-12	29
Malaysia	CHICKENJOY (WORD MARK)		2012052512	23-Apr-12	43
Malaysia	CHICKENJOY (WORD MARK)		2012052511	23-Apr-12	29
Malaysia	CK AND DEVICE		2012052517	23-Apr-12	30
Malaysia	CK AND DEVICE		2012052518	23-Apr-12	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Malaysia	CHOWKING (WORD MARK)		2012052514	23-Apr-12	43
Malaysia	CHOWKING (WORD MARK)		2012052513	23-Apr-12	30
Malaysia	CHOWKING (CHINESE CHARACTERS)		2012052516	23-Apr-12	43
Malaysia	CHOWKING (CHINESE CHARACTERS)		2012052515	23-Apr-12	30
Malaysia	JOLLIBEE (WORD MARK)		2012052507	23-Apr-12	29
Malaysia	MANG INASAL AND DEVICE		2012052522	23-Apr-12	43
Malaysia	MANG INASAL AND DEVICE		2012052521	23-Apr-12	29
Malaysia	MANG INASAL (WORD MARK)		2012052520	23-Apr-12	43
Malaysia	MANG INASAL (WORD MARK)		2012052519	23-Apr-12	29
Malaysia	CHAMP (WORD MARK)		2013052208	13-Mar-13	29
Malaysia	EVERYDAY DELICIOUS (WORD MARK)		2013052209	13-Mar-13	35
Malaysia	BEE DEVICE		2013052205	13-Mar-13	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Malaysia	BEE DEVICE		2013052204	13-Mar-13	29
Malaysia	BEE HEAD DEVICE		2014069069	17-Dec-14	25
Malaysia	JOLLIBEE (WORD MARK)		2014069065	17-Dec-14	25
Malaysia	BEE DEVICE		2014069071	17-Dec-14	25
Malaysia	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		2015070163	27-Nov-15	29
Malaysia	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		2015070165	27-Nov-15	43
Malaysia	G AND DEVICE		2016059745	27-May-16	30
Malaysia	G AND DEVICE		2016059749	27-May-16	43
Malaysia	GREENWICH (WORD MARK)		2016059736	27-May-16	30
Malaysia	GREENWICH (WORD MARK)		2016059742	27-May-16	43

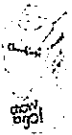
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Malaysia	RED RIBBON AND DEVICE		2016059759	27-May-16	30
Malaysia	RED RIBBON AND DEVICE		2016059761	27-May-16	43
Malaysia	RED RIBBON (WORD MARK)		2016059755	27-May-16	30
Malaysia	RED RIBBON (WORD MARK)		2016059757	27-May-16	43
Malaysia	YUM	YUM	2013052206	20-Sep-16	29
Mexico	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		405557 / 764426	6-Jan-00 / 21-Oct-02	42
Myanmar	MANG INASAL AND DEVICE		N/A / 6387	22-Jun-12 / 9-Jul-12	29, 43
Myanmar	MANG INASAL (WORD MARK)		N/A / 6386	22-Jun-12 / 9-Jul-12	29, 43
Myanmar	BEE HEAD DEVICE		N/A / 2162	6-Feb-15 / 23-Feb-15	29, 43
Myanmar	CHAMP (WORD MARK)		N/A / 2165	6-Feb-15 / 23-Feb-15	29
Myanmar	CHICKENJOY (WORD MARK)		N/A / 2166	6-Feb-15 / 23-Feb-15	29, 43
Myanmar	EVERYDAY DELICIOUS (WORD MARK)		N/A / 2167	6-Feb-15 / 23-Feb-15	35

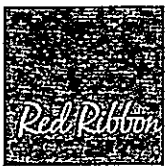
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Myanmar	BEE DEVICE		N/A / 2163	6-Feb-15 / 23-Feb-15	29, 43
Myanmar	JOLLIBEE (WORD MARK)		N/A / 2161	6-Feb-15 / 23-Feb-15	29, 43
Myanmar	YUM (WORD MARK)		N/A / 2164	6-Feb-15 / 23-Feb-15	29
Myanmar	MANG INASAL AND DEVICE		N/A / 10142	23-Jul-15 / 10-Aug-15	29, 43
Myanmar	MANG INASAL (WORD MARK)		N/A / 10143	23-Jul-15 / 10-Aug-15	29, 43
New Zealand	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		254483	6-Oct-95	29
New Zealand	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		254484	6-Oct-95	42
Oman	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		11659	29-May-95 / 29-May-05	42
Oman	CHOWKING (WORD MARK)		32225	30-Dec-03 / 30-Dec-05	43
Oman	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE (COLOR)		65134	20-Oct-10	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Oman	CHOWKING WITH CHINESE CHARACTERS (STYLIZED)		69402	20-Jul-11 / 22-Jan-14	43
Oman	CHOWKING WITH CHINESE CHARACTERS (STYLIZED)		69401	20-Jul-11 / 22-Jan-14	30
Oman	CHOWKING WITH CHINESE CHARACTERS (STYLIZED)		69400	20-Jul-11 / 22-Jan-14	29
Oman	JOLLIBEE (WORD MARK)		69398	20-Jul-11 / 4-Mar-14	30
Oman	JOLLIBEE (WORD MARK)		69399	20-Jul-11 / 4-Mar-14	43
Oman	JOLLIBEE (WORD MARK)		69397	20-Jul-11 / 4-Mar-14	29
Oman	CK AND DEVICE		73969	22-Apr-12 / 26-Oct-15	43
Oman	CK AND DEVICE		73968	22-Apr-12 / 26-Oct-15	30
Oman	CHOWKING (WORD MARK)		73965	22-Apr-12 / 20-May-13	30
Oman	CHOWKING (CHINESE CHARACTERS)		73966	22-Apr-12 / 20-May-13	30
Oman	CHOWKING (CHINESE CHARACTERS)		73967	22-Apr-12 / 20-May-13	43

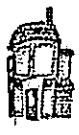
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Oman	BEE HEAD DEVICE		73974	23-Apr-12 / 20-May-13	29
Oman	BEE HEAD DEVICE		73975	23-Apr-12 / 20-May-13	43
Oman	CHICKENJOY (WORD MARK)		73976	23-Apr-12 / 20-May-13	29
Oman	CHICKENJOY (WORD MARK)		73977	23-Apr-12 / 20-May-13	43
Oman	CHAMP (WORD MARK)		79630	13-Mar-13 / 25-Aug-14	29
Oman	EVERYDAY DELICIOUS (WORD MARK)		79631	13-Mar-13 / 25-Aug-14	35
Oman	BEE DEVICE		79627	13-Mar-13 / 25-Aug-14	29
Oman	BEE DEVICE		79628	13-Mar-13 / 25-Aug-14	43
Oman	YUM (WORD MARK)		79629	13-Mar-13 / 25-Aug-14	29
Oman	JOLLIBEE (ARABIC SCRIPT)		103059	7-Jun-16	43
Oman	RED RIBBON AND DEVICE		103057	7-Jun-16	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Oman	RED RIBBON AND DEVICE		103058	7-Jun-16	43
Oman	RED RIBBON (WORD MARK)		103056	7-Jun-16	43
Oman	RED RIBBON (WORD MARK)		103055	7-Jun-16	30
Oman	G AND DEVICE		103088	8-Jun-16	30
Oman	G AND DEVICE		103089	8-Jun-16	43
Oman	GREENWICH (WORD MARK)		103086	8-Jun-16	30
Oman	GREENWICH (WORD MARK)		103087	8-Jun-16	43
Oman	MANG INASAL AND DEVICE		103099	9-Jun-16	29
Oman	MANG INASAL AND DEVICE		103100	9-Jun-16	43
Oman	MANG INASAL (WORD MARK)		103097	9-Jun-16	29
Oman	MANG INASAL (WORD MARK)		103098	9-Jun-16	43

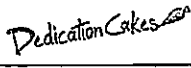
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Papua New Guinea	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		59020	11-Sep-95	29
Papua New Guinea	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		59021	11-Sep-95	42
Philippines	AMAZING ALOHA & PINEAPPLE SLICE DEVICE		4-1996-106351	4-Mar-96 / 4-Nov-02	30
Philippines	CHOWKING		4-1998-000821	6-Feb-98 / 8-Jul-04	29
Philippines	GREENWICH PEARL COOLERS STYLIZED AND DESIGN		4-2001-003033	30-Apr-01 / 25-Jun-06	32
Philippines	JOLLY SHAKES WRITTEN IN COLORS RED AND ORANGE ENCLOSED BY A RECTANGLE SHADED IN BLUE		4-2003-001019	5-Feb-03 / 20-Nov-06	29, 30
Philippines	YUM		4-2003-008177	4-Sep-03 / 11-Nov-10	29, 43
Philippines	CHOW TO GO! BOX & DESIGN (THREE-DIMENSIONAL MARK)		4-2004-002867	25-Mar-04 / 24-Mar-08	29, 43
Philippines	ALMUCHOW		4-2005-001612	17-Feb-05 / 16-Oct-06	43
Philippines	ICE CRAZE COFFEE JELLY		4-2005-003299	12-Apr-05 / 5-May-07	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	JOLLY CHEEZY FRIES		4-2005-006933	22-Jul-05 / 5-Nov-07	29
Philippines	JK		4-2005-008738	5-Sep-05 / 23-Jul-07	16, 18, 25, 26
Philippines	Mang INASAL, Home of Real Pinoy Style Barbeque and Device		4-2006-009050	17-Aug-06 / 28-May-07	43
Philippines	RED RIBBON & RIBBON DEVICE		4-2006-013635	19-Dec-06 / 29-Oct-07	30, 43
Philippines	WHATEVER THE CELEBRATION, IT'S MORE BEAUTIFUL WITH A RED RIBBON & DEVICE		4-2007-007907	24-Jul-07 / 24-Mar-08	30, 43
Philippines	BUSOG LUSOG TALINO		42008-001695	11-Feb-08 / 2-Mar-09	41, 44
Philippines	SPAGHETTIST		4-2009-003358	31-Mar-09 / 18-Oct-12	29, 30, 32
Philippines	RED RIBBON & RIBBON DEVICE		4-2009-006264	25-Jun-09 / 7-Jan-10	25
Philippines	RED RIBBON BOX LOGO		4-2009-006265	25-Jun-09 / 7-Jan-10	25, 30, 43
Philippines	RED RIBBON STYLIZED		4-2009-006268	25-Jun-09 / 7-Jan-10	25, 30, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	NEW RED RIBBON COLD BLENDS AND DEVICE		4-2009-006836	10-Jul-09 / 6-May-10	29
Philippines	NEW RED RIBBON HOT BREWS		4-2009-006837	10-Jul-09 / 8-Jul-10	30
Philippines	MANONG PEPE KARINDERIA WITH MANONG PEPE LOGO ON THE LEFT SIDE		4-2009-011827	18-Nov-09 / 19-Aug-10	29, 30, 43
Philippines	MANONG PEPE KARINDERIA WITH MANONG PEPE LOGO ON THE TOP RIGHT SIDE		4-2009-011823	18-Nov-09 / 19-Aug-10	29, 30, 43
Philippines	G GREENWICH PIZZA AND PASTA LOGO PASTA SUPREME		4-2010-004205	20-Apr-10 / 2-Jun-11	30, 35
Philippines	JOLLIBEE CHICKEN BARBECUE DELICIOUS INSIDE AND OUT INSIDE A RECTANGULAR DEVICE		4-2010-004237	21-Apr-10 / 22-Mar-12	29, 35
Philippines	HETTY MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005365	20-May-10 / 21-Oct-10	16, 18, 25, 28, 41
Philippines	HETTY MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005368	20-May-10 / 14-Oct-10	16, 18, 25, 28, 41

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	JOLLIBEE MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005367	20-May-10 / 21-Oct-10	16, 18, 25, 28, 41
Philippines	JOLLIBEE MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005366	20-May-10 / 21-Oct-10	16, 18, 25, 28, 41
Philippines	POPO MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005364	20-May-10 / 21-Oct-10	16, 18, 25, 28, 41
Philippines	POPO MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005369	20-May-10 / 14-Oct-10	16, 18, 25, 28, 41
Philippines	TWIRLIE MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005363	20-May-10 / 21-Oct-10	16, 18, 25, 28, 41
Philippines	TWIRLIE MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005370	20-May-10 / 14-Oct-10	16, 18, 25, 28, 41
Philippines	YUM MASCOT HOUSE DEVICE (IN BLACK & WHITE)		4-2010-005362	20-May-10 / 6-Jan-11	16, 18, 25, 28, 41
Philippines	YUM MASCOT HOUSE DEVICE (IN COLOR)		4-2010-005371	20-May-10 / 14-Oct-10	16, 18, 25, 28, 41
Philippines	RED RIBBON CAKE FRAPPES		4-2010-006604	18-Jun-10 / 9-Jun-11	29, 30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	G GREENWICH PIZZA AND PASTA LOGO PASTA SUPREME D'LITE		4-2010-007706	15-Jul-10 / 4-Aug-11	30
Philippines	CHOWKING CHAOFAN		4-2010-009794	7-Sep-10	29
Philippines	CHOWKING LAURIAT		4-2010-009792	7-Sep-10 / 3-Dec-11	29
Philippines	CHOWKING EMPEROR'S BEEF NOODLE SOUP		4-2010-009941	9-Sep-10 / 9-Jun-11	30
Philippines	CHOWKING EMPEROR'S BEEF NOODLE SOUP. BEEF NA BEEF NA BEEF (LOGO)		4-2010-009942	9-Sep-10 / 9-Jun-11	30, 43
Philippines	AFFORDELICIOUS		4-2010-010083	15-Sep-10	35
Philippines	CK CHOWKING LOGO WITH CHINESE CHARACTERS AND DEVICE		4-2010-010090	15-Sep-10 / 4-Aug-11	43
Philippines	CONE TWIRL		4-2010-010089	15-Sep-10 / 7-Apr-11	29
Philippines	CAFFELATO FRAPPE		4-2010-011166	12-Oct-10 / 7-Jul-11	30, 43
Philippines	GREENWICH MOOSHAKO LOGO AND A COW DEVICE		4-2010-011313	14-Oct-10 / 13-Jan-12	29
Philippines	GREENWICH MOOSHAKO LOGO AND A COW DEVICE (IN COLOUR)		4-2010-011311	14-Oct-10 / 13-Jan-12	29
Philippines	RED RIBBON WHITE FOREST		4-2010-012300	12-Nov-10 / 25-Aug-11	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	RED RIBBON MOCHA CHOCO CRUMBLE		4-2010-013448	10-Dec-10 / 7-Jul-11	30
Philippines	HAPPYPLUS CASHLESS PAYMENTS WITH REWARDS LOGO AND DEVICE (IN BLACK & WHITE)		4-2011-002977	15-Mar-11 / 20-Jun-13	9, 16, 35, 36
Philippines	DEDICATION CAKES		4-2011-003545	28-Mar-11 / 4-Aug-11	30
Philippines	DEDICATION CAKES LOGO		4-2011-004115	8-Apr-11 / 4-Aug-11	30
Philippines	GREENWICH		4-2011-004585	19-Apr-11 / 25-Aug-11	30
Philippines	MANG INASAL		4-2011-006655	7-Jun-11 / 15-Mar-12	29, 43
Philippines	RED RIBBON		4-2011-006827	10-Jun-11 / 31-May-12	29, 30, 32, 43
Philippines	GREENWICH SNACK N' SIP LOGO MARK		4-2011-006987	15-Jun-11 / 24-Feb-12	29, 32
Philippines	SNACK N' SIP		4-2011-006989	15-Jun-11 / 24-Feb-12	29, 32
Philippines	HAPPYPLUS CASHLESS PAYMENTS WITH REWARDS LOGO AND DEVICE (IN COLOR)		4-2011-009245	5-Aug-11 / 5-Jan-12	9, 16, 35, 36
Philippines	HIGHLANDS COFFEE & DEVICE		4-2011-010705	7-Sep-11 / 31-May-12	30, 43
Philippines	EVERYDAY DESERVES A SUNDAE		4/2011/00010765	8-Sep-11 / 20-Nov-14	30
Philippines	CHANGE FOR CHILDREN		4-2011-012052	6-Oct-11 / 5-Jan-12	36
Philippines	OVERFLOW		4-2012-000754	19-Jan-12 / 24-May-12	30

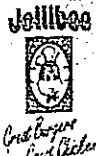
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	JOLLIBEE MAAGA ANG PASKO LOGO (BLACK & WHITE)		4-2012-001250	1-Feb-12 / 11-May-12	36
Philippines	OVERLOADED		4-2013-002473	5-Mar-13 / 20-Jun-13	29, 30, 35
Philippines	ULTIMATE		4-2013-002474	5-Mar-13 / 20-Jun-13	29, 30, 35
Philippines	ULTIMATE HAWAIIAN OVERLOAD		4-2013-002471	5-Mar-13 / 20-Jun-13	30
Philippines	ULTIMATE SPECIAL OVERLOAD		4-2013-002472	5-Mar-13 / 20-Jun-13	30
Philippines	SHARE THE JOY OF PAYDAY		4-2013-003891	5-Apr-13 / 12-Sep-13	35
Philippines	2-IN-1 SA LAKI AT SARAP		4-2013-007660	1-Jul-13	29, 35
Philippines	LASAP ANG BBQ SARAP		4/2013/00007661	1-Jul-13 / 7-Apr-16	29, 35
Philippines	JOLLIBEE FAMILY VALUES AWARDS CELEBRATING EXEMPLARY FILIPINO FAMILIES		4-2013-010436	2-Sep-13 / 12-Jun-14	35
Philippines	GREENWICH		4-2013-012441	16-Oct-13 / 6-Feb-14	43
Philippines	JOLLY		4-2013-012443	16-Oct-13	29, 30, 32
Philippines	MANG INASAL PINOY		4/2014/00005679	7-May-14 / 23-Oct-14	29, 30, 32
Philippines	PINOY-SANGKAP CREAMY-SARAP		4/2014/00005680	7-May-14 / 23-Oct-14	29, 30, 32
Philippines	CHOWKING		4/2014/00502947	8-Jul-14 / 20-Nov-14	29
Philippines	BUSOG LUSOG TALINO		4/2014/00503001	10-Jul-14 / 18-Dec-14	41, 44
Philippines	FOODAID		4/2014/00502999	10-Jul-14 / 6-Aug-15	41, 44
Philippines	JOLLIBEE GROUP FOUNDATION		4/2014/00503000	10-Jul-14 / 18-Dec-14	41, 44
Philippines	BUSOG LUSOG TALINO (device)		4/2014/00503008	11-Jul-14 / 12-Mar-15	41, 44

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Philippines	JOLLIBEE GROUP FOUNDATION (device)		4/2014/00503009	11-Jul-14 / 12-Mar-15	41, 44
Philippines	HAPPY PAO		4/2014/00503142	18-Jul-14 / 6-Aug-15	30
Philippines	MANG INASAL		4/2014/00505403	14-Nov-14 / 21-May-15	29, 43
Philippines	CRISPYJUICYEXTRAORDINARYLICIOUS		4/2014/00505926	17-Dec-14 / 26-Feb-15	29
Philippines	JOLLIBEE MAAGA ANG PASKO		4/2015/00500315	22-Jan-15 / 31-Mar-16	36
Qatar	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		14073	11-Oct-95 / 24-Mar-03	29
Qatar	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		14074	11-Oct-95 / 24-Mar-03	42
Qatar	CHOWKING (WORD MARK)		31113	7-Dec-03 / 18-Aug-08	43
Qatar	BEE DEVICE (COLOR)		57954	8-Jul-09 / 20-Sep-12	29
Qatar	BEE DEVICE (COLOR)		57955	8-Jul-09 / 20-Sep-12	30
Qatar	BEE DEVICE (COLOR)		57956	8-Jul-09 / 20-Sep-12	42

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Qatar	JOLLIBEE AND BEE HEAD DEVICE (COLOR)	 Jollibee.	57951	8-Jul-09 / 25-Sep-12	29
Qatar	JOLLIBEE AND BEE HEAD DEVICE (COLOR)	 Jollibee.	57952	8-Jul-09 / 25-Sep-12	30
Qatar	JOLLIBEE AND BEE HEAD DEVICE (COLOR)	 Jollibee.	57953	8-Jul-09 / 20-Sep-12	42
Qatar	BEE DEVICE		80980	15-Apr-10	43
Qatar	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE		65264	6-Dec-10	42
Qatar	CHOWKING (WORD MARK)		71523	23-Nov-11 / 26-Mar-14	30
Qatar	CHOWKING (CHINESE CHARACTERS)		71524	23-Nov-11 / 26-Mar-14	30
Qatar	CHOWKING (CHINESE CHARACTERS)		71525	23-Nov-11 / 26-Mar-14	42
Qatar	CK AND DEVICE		71527	23-Nov-11 / 26-Mar-14	42
Qatar	CK AND DEVICE		71526	23-Nov-11 / 26-Mar-14	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Qatar	BEE HEAD DEVICE		74466	30-Apr-12 / 23-Nov-14	29
Qatar	BEE HEAD DEVICE		74467	30-Apr-12 / 16-Oct-14	43
Qatar	CHICKENJOY (WORD MARK)		74469	30-Apr-12 / 16-Oct-14	43
Qatar	CHICKENJOY (WORD MARK)		74468	30-Apr-12 / 16-Oct-14	29
Qatar	JOLLIBEE (WORD MARK)		74464	30-Apr-12 / 11-Oct-15	29
Qatar	JOLLIBEE (WORD MARK)		74465	30-Apr-12 / 23-Nov-14	43
Qatar	MANG INASAL AND DEVICE		75452	18-Jun-12 / 5-Jan-16	29
Qatar	MANG INASAL AND DEVICE		75453	18-Jun-12 / 5-Jan-16	43
Qatar	MANG INASAL (WORD MARK)		75450	18-Jun-12 / 5-Jan-16	29
Qatar	MANG INASAL (WORD MARK)		75451	18-Jun-12 / 5-Jan-16	43
Qatar	CHAMP (WORD MARK)		80276	14-Mar-13 / 22-Oct-15	29
Qatar	EVERYDAY DELICIOUS (WORD MARK)		80277	14-Mar-13 / 22-Oct-15	35

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Qatar	BEE DEVICE		80273	14-Mar-13 / 22-Oct-15	29
Qatar	BEE DEVICE		80274	14-Mar-13 / 22-Oct-15	42
Qatar	YUM (WORD MARK)		80275	14-Mar-13 / 22-Oct-15	29
Qatar	JOLLY (WORD MARK)		84753	23-Oct-13	30
Qatar	G AND DEVICE		106565	2-Jun-16	30
Qatar	G AND DEVICE		106566	2-Jun-16	42
Qatar	GREENWICH (WORD MARK)		106563	2-Jun-16	30
Qatar	GREENWICH (WORD MARK)		106564	2-Jun-16	42
Qatar	JOLLIBEE (ARABIC SCRIPT)		106585	5-Jun-16	42
Qatar	RED RIBBON AND DEVICE		106729	13-Jun-16	30
Qatar	RED RIBBON AND DEVICE		106733	13-Jun-16	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Qatar	RED RIBBON (WORD MARK)		106732	13-Jun-16	43
Qatar	RED RIBBON (WORD MARK)		106730	13-Jun-16	30
Romania	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		13511 / 29524	8-Mar-95 / 8-Mar-05	29, 42
Romania	JOLLIBEE AND 3 BEES DEVICE		13512 / 29525	8-Mar-95 / 1-Jul-99	42
Saudi Arabia	CHOWKING (WORD MARK)		82290 / 726/66	12-Apr-03 / 5-May-04	43
Saudi Arabia	JOLLIBEE AND BEE HEAD DEVICE		122600 / 1038/92	1-Oct-07 / 21-Jan-09	43
Saudi Arabia	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE (COLOR)		160517 / 1443/87	26-Oct-10 / 2-Jun-13	43
Saudi Arabia	CK AND DEVICE		182199 / 143307511	19-May-12 / 23-Mar-13	30
Saudi Arabia	CK AND DEVICE		182200 / 143307509	19-May-12 / 25-Mar-14	43
Saudi Arabia	CHOWKING (WORD MARK)		182196 / 143307508	19-May-12 / 11-Sep-13	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Saudi Arabia	CHOWKING (CHINESE CHARACTERS)		182197 / 143307497	19-May-12 / 18-Feb-13	30
Saudi Arabia	CHOWKING (CHINESE CHARACTERS)		182198 / 143307496	19-May-12 / 25-Mar-14	43
Saudi Arabia	MANG INASAL AND DEVICE		182205 / 143307546	19-May-12 / 19-Jun-13	29
Saudi Arabia	MANG INASAL (WORD MARK)		182203 / 1451/46	19-May-12 / 19-Jun-13	29
Saudi Arabia	BEE HEAD DEVICE		182342 / 143307687	21-May-12 / 22-Aug-13	29
Saudi Arabia	BEE HEAD DEVICE		182343 / 143307688	21-May-12 / 10-Sep-13	43
Saudi Arabia	CHICKENJOY (WORD MARK)		182346 / 143307686	21-May-12 / 4-Apr-14	29
Saudi Arabia	CHICKENJOY (WORD MARK)		182347 / 143307685	21-May-12 / 4-Apr-14	43
Saudi Arabia	JOLLIBEE (WORD MARK)		182344 / 143307683	21-May-12 / 25-Jul-13	29
Saudi Arabia	JOLLIBEE (WORD MARK)		182345 / 143307684	21-May-12 / 10-Sep-13	43
Saudi Arabia	EVERYDAY DELICIOUS (WORD MARK)		194610 / 143406467	26-Mar-13 / 1-Jul-14	35

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Saudi Arabia	BEE DEVICE		194606 / 143406471	26-Mar-13 / 3-Jul-14	29
Saudi Arabia	BEE DEVICE		194607 / 143406472	26-Mar-13 / 3-Jul-14	43
Saudi Arabia	YUM (WORD MARK)		194608 / 143406468	26-Mar-13 / 1-Jul-14	29
Saudi Arabia	JOLLIBEE CHAMP (WORD MARK)		1436008326 / 1436008326	8-Feb-15 / 22-Jun-15	29
Saudi Arabia	JOLLIBEE CHAMP (WORD MARK)		1436008327 / 1436008327	8-Feb-15 / 22-Jun-15	30
Saudi Arabia	JOLLIBEE (ARABIC SCRIPT)		1437020649	16-Jun-16 / 12-Oct-16	43
Saudi Arabia	G AND DEVICE		1437024352	8-Aug-16 / 30-Nov-16	30
Saudi Arabia	G AND DEVICE		1437024353	8-Aug-16 / 29-Nov-16	43
Saudi Arabia	GREENWICH (WORD MARK)		1437024349	8-Aug-16	30
Saudi Arabia	GREENWICH (WORD MARK)		1437024350	8-Aug-16 / 30-Nov-16	43
Saudi Arabia	RED RIBBON AND DEVICE		1437024357	8-Aug-16 / 29-Nov-16	43
Saudi Arabia	RED RIBBON (WORD MARK)		1437024355	8-Aug-16 / 30-Nov-16	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Saudi Arabia	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		501/26	17-Oct-99	29
Saudi Arabia	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		501/25	17-Oct-99	42
Saudi Arabia	BEE DEVICE		379/25	2-Jul-96	42
Singapore	BEE DEVICE (COLOR)		T0908261F	24-Jul-09	29, 30, 43
Singapore	JOLLIBEE AND BEE HEAD DEVICE (COLOR)		T0908260H	24-Jul-09	29, 30, 43
Singapore	RED RIBBON AND DEVICE		T1200954A	26-Jan-12	30, 32, 43
Singapore	RED RIBBON (WORD MARK)		T1200952E	26-Jan-12	30, 32, 43
Singapore	CHICKENJOY (WORD MARK)		T1205748A	20-Apr-12	29, 43
Singapore	JOLLIBEE (WORD MARK)		T1205747C	20-Apr-12	29, 43
Singapore	MANG INASAL (WORD MARK)		T1205749Z	20-Apr-12	29, 43
Singapore	BEE HEAD DEVICE		T1205981F	26-Apr-12	29, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Singapore	YONGHE KING (CHINESE CHARACTERS)		T1206075Z	27-Apr-12	30, 43
Singapore	YONGHE KING (WORD MARK)		T1206072E	27-Apr-12	30, 43
Singapore	YONGHE KING DEVICE		T1206552B	8-May-12	30, 43
Singapore	MANG INASAL AND DEVICE		T1215173I	12-Oct-12	29, 43
Singapore	CHAMP (WORD MARK)		T1304014J	11-Mar-13	30
Singapore	EVERYDAY DELICIOUS (WORD MARK)		T1304015I	11-Mar-13	35
Singapore	BEE DEVICE		T1304012D	11-Mar-13	29, 43
Singapore	YUM (WORD MARK)		T1304013B	11-Mar-13	29
Singapore	YONGHE KING DEVICE		40201500825Y	15-Jan-15	30, 43
Singapore	RED RIBBON AND DEVICE		40201507224P	5-May-15	30, 43
Singapore	RED RIBBON (WORD MARK)		40201507223S	5-May-15	30, 43
Singapore	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		40201520749Y	26-Nov-15	29, 43
Singapore	CK AND DEVICE		40201608674Y	27-May-16	30, 43
Singapore	CHOWKING (WORD MARK)		40201608672U	27-May-16	30, 43
Singapore	G AND DEVICE		40201608676S	27-May-16	30, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Singapore	GREENWICH (WORD MARK)		40201608675X	27-May-16	30, 43
Singapore	CHOWKING (CHINESE CHARACTERS)		40201622002S	22-Dec-16	30, 43
Singapore	JOLLIBEE AND BEE HEAD DEVICE		3473/93	11-May-93	42
Singapore	JOLLIBEE AND BEE HEAD DEVICE		3472/93	11-May-93	30
South Africa	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		9510214	8-Aug-95 / 12-Jun-98	29
South Africa	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		9510215	8-Aug-95 / 12-Jun-98	42
Spain	BEE HEAD DEVICE		3012444	5-Jan-12	29, 43
Spain	CHICKENJOY (WORD MARK)		3012445	5-Jan-12 / 21-May-12	29, 43
Spain	JOLLIBEE (WORD MARK)		3012443	5-Jan-12 / 21-May-12	29, 43
Spain	CK AND DEVICE		3027331	19-Apr-12 / 6-Sep-12	30, 43
Spain	CHOWKING (WORD MARK)		3027320	19-Apr-12 / 6-Sep-12	30, 43
Spain	CHOWKING (CHINESE CHARACTERS)		3027328	19-Apr-12 / 6-Sep-12	30, 43
Spain	CHAMP (WORD MARK)		M3066988	11-Mar-13 / 12-Jun-13	29
Spain	EVERYDAY DELICIOUS (WORD MARK)		M3066991	11-Mar-13 / 12-Jun-13	35

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Spain	BEE DEVICE		M3066986	11-Mar-13 / 12-Jun-13	29, 43
Spain	G AND DEVICE		3616162	27-May-16 / 9-Oct-16	30, 43
Spain	GREENWICH (WORD MARK)		3616159	27-May-16 / 9-Oct-16	30, 43
Spain	RED RIBBON AND DEVICE		3616216	27-May-16 / 29-Nov-16	30, 43
Spain	RED RIBBON (WORD MARK)		3616211	27-May-16 / 13-Oct-16	30, 43
Sri Lanka	JOLLIBEE (WORD MARK)		211717	29-Sep-16	29
Sri Lanka	JOLLIBEE (WORD MARK)		211719	29-Sep-16	43
Sri Lanka	BEE HEAD DEVICE		211713	29-Sep-16	29
Sri Lanka	BEE HEAD DEVICE		211714	29-Sep-16	43
Sri Lanka	BEE DEVICE		211716	29-Sep-16	29
Sri Lanka	BEE DEVICE		211718	29-Sep-16	43
Syria	BEE DEVICE		56345	23-Oct-95	29, 30, 42
Taiwan	CHOWKING (WORD MARK)		91023727	12-Apr-03	43
Taiwan	GREENWICH (WORD MARK)		3587326	10-Jun-03	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
	MARK)				
Taiwan	RED RIBBON AND DEVICE		93025850 / 1149860	4-Jun-04 / 16-Apr-05	43
Thailand	JOLLIBEE AND 3 BEE'S DEVICE		284093 / BOR4134	19-Apr-95	43
Thailand	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		284091 / KOR41802	19-Apr-95	29
Thailand	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		284092 / BOR4135	19-Apr-95	43
Thailand	RED RIBBON AND DEVICE		552848 / BOR28297	18-May-04	43
Thailand	RED RIBBON (WORD MARK)		936318 / BOR72847	12-May-14	43
Thailand	BEE HEAD DEVICE		969051	8-Jan-15	25
Thailand	JOLLIBEE (WORD MARK)		969050	8-Jan-15	25
Thailand	BEE DEVICE		969052	8-Jan-15	25
Thailand	BEE HEAD DEVICE		970144	19-Jan-15	43
Thailand	BEE HEAD DEVICE		970143 / 171101348	19-Jan-15	29
Thailand	CHAMP (WORD MARK)		970148 / KOR414568	19-Jan-15	30
Thailand	CHICKENJOY (WORD MARK)		970150	19-Jan-15	43
Thailand	CHICKENJOY (WORD MARK)		970149	19-Jan-15	29
Thailand	EVERYDAY DELICIOUS (WORD MARK)		970151	19-Jan-15	35

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Thailand	BEE DEVICE		970146	19-Jan-15	43
Thailand	BEE DEVICE		970145	19-Jan-15	29
Thailand	JOLLIBEE (WORD MARK)		970141 / 171101347	19-Jan-15	29
Thailand	JOLLIBEE (WORD MARK)		970142 / 161109652	19-Jan-15	43
Thailand	YUM (WORD MARK)		970147 / KOR415934	19-Jan-15	30
Turkey	BEE HEAD DEVICE		2014/82416	13-Oct-14	29, 43
Turkey	JOLLIBEE (WORD MARK)		2014/82414	13-Oct-14	29, 43
United Arab Emirates	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		16343 / 15560	27-May-96 / 27-May-98	42
United Arab Emirates	JOLLIBEE GREAT BURGERS GREAT CHICKEN AND BEE HEAD DEVICE		16344 / 15559	27-May-96 / 27-May-98	29
United Arab Emirates	BEE DEVICE		16345 / 14694	27-May-96 / 25-Apr-98	42
United Arab Emirates	CHOWKING (WORD MARK)		51751 / 42531	25-Feb-03 / 7-Oct-03	43
United Arab Emirates	JOLLIBEE AND BEE HEAD DEVICE (COLOR)		126847	10-Mar-09 / 23-Aug-12	43
United Arab Emirates	JOLLIBEE AND BEE HEAD DEVICE (COLOR)		126844	10-Mar-09 / 23-Aug-12	29

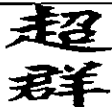
COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
United Arab Emirates	JOLLIBEE AND BEE HEAD DEVICE (COLOR)	 Jollibee.	126845	10-Mar-09 / 23-Aug-12	30
United Arab Emirates	JOLLIBEE AND BEE HEAD DEVICE (COLOR)	 Jollibee.	126846	10-Mar-09 / 23-Aug-12	32
United Arab Emirates	BEE DEVICE (COLOR)		126842	10-Mar-09 / 23-Aug-12	32
United Arab Emirates	BEE DEVICE (COLOR)		126841	10-Mar-09 / 23-Aug-12	30
United Arab Emirates	BEE DEVICE (COLOR)		126843	10-Mar-09 / 23-Aug-12	43
United Arab Emirates	BEE DEVICE (COLOR)		126840	10-Mar-09 / 23-Aug-12	29
United Arab Emirates	MANG INASAL HOME OF REAL PINOY STYLE BARBEQUE AND DEVICE (COLOR)		148113	12-Oct-10 / 17-Oct-12	43
United Arab Emirates	CHOWKING (CHINESE CHARACTERS)		166027	5-Dec-11 / 25-Nov-13	30
United Arab Emirates	CHOWKING (CHINESE CHARACTERS)		166028	5-Dec-11 / 25-Nov-13	43
United Arab Emirates	CK AND DEVICE		166029	5-Dec-11 / 25-Nov-13	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
United Arab Emirates	CK AND DEVICE		166030	5-Dec-11 / 25-Nov-13	43
United Arab Emirates	CHOWKING (WORD MARK)		166026	5-Dec-11 / 8-Dec-13	30
United Arab Emirates	BEE HEAD DEVICE		173869	20-May-12 / 13-Jan-14	29
United Arab Emirates	BEE HEAD DEVICE		173870	20-May-12 / 13-Jan-14	43
United Arab Emirates	CHICKENJOY (WORD MARK)		173871	20-May-12 / 13-Jan-14	29
United Arab Emirates	CHICKENJOY (WORD MARK)		173872	20-May-12 / 13-Jan-14	43
United Arab Emirates	JOLLIBEE (WORD MARK)		173867	20-May-12 / 13-Jan-14	29
United Arab Emirates	JOLLIBEE (WORD MARK)		173868	20-May-12 / 13-Jan-14	43
United Arab Emirates	MANG INASAL AND DEVICE		173971	22-May-12 / 29-Jan-14	29
United Arab Emirates	MANG INASAL AND DEVICE		173972	22-May-12 / 29-Jan-14	43
United Arab Emirates	MANG INASAL (WORD MARK)		173969	22-May-12 / 29-Jan-14	29
United Arab Emirates	MANG INASAL (WORD MARK)		173970	22-May-12 / 29-Jan-14	43
United Arab Emirates	CHAMP (WORD MARK)		189044	26-Mar-13 / 9-Sep-14	29
United Arab Emirates	EVERYDAY DELICIOUS (WORD MARK)		189045	26-Mar-13 / 3-Sep-14	35
United Arab Emirates	BEE DEVICE		189041	26-Mar-13 / 2-Sep-14	29

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
United Arab Emirates	BEE DEVICE		189042	26-Mar-13 / 2-Sep-14	43
United Arab Emirates	YUM (WORD MARK)		189043	26-Mar-13 / 2-Sep-14	29
United Arab Emirates	JOLLIBEE (ARABIC SCRIPT)	جوليبى	4686783	5-Jun-16	43
United Arab Emirates	CHOWKING (COLOR ARABIC SCRIPT)	شاوكينج	259171	29-Aug-16	43
United Arab Emirates	G AND DEVICE		259174	29-Aug-16	30
United Arab Emirates	G AND DEVICE		259175	29-Aug-16	43
United Arab Emirates	GREENWICH (WORD MARK)		259172	29-Aug-16	30
United Arab Emirates	GREENWICH (WORD MARK)		259173	29-Aug-16	43
United Arab Emirates	RED RIBBON AND DEVICE		259178	29-Aug-16	30
United Arab Emirates	RED RIBBON AND DEVICE		259179	29-Aug-16	43
United Arab Emirates	RED RIBBON (WORD MARK)		259177	29-Aug-16	43
United Arab Emirates	RED RIBBON (WORD MARK)		259176	29-Aug-16	30
United Kingdom	JOLLIBEE AND BEE HEAD DEVICE (COLOR)		2572105	14-Feb-11	43
United Kingdom	BEE HEAD DEVICE		3086509	17-Dec-14 / 20-Mar-15	29, 43
United Kingdom	CHAMP (WORD MARK)		3086550	17-Dec-14 / 20-Mar-15	30
United Kingdom	EVERYDAY DELICIOUS (WORD MARK)		3086549	17-Dec-14 / 27-Mar-15	35

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
United Kingdom	BEE DEVICE		3086533	17-Dec-14 / 20-Mar-15	29, 43
United Kingdom	JOLLIBEE (WORD MARK)		3086498	17-Dec-14 / 20-Mar-15	29, 43
United Kingdom	CHICKENJOY (WORD MARK)		3086685	18-Dec-14 / 27-Mar-15	29, 43
United Kingdom	YUM (WORD MARK)		3086691	18-Dec-14 / 27-Mar-15	30
United Kingdom	CHOWKING (WORD MARK)		3092947	5-Feb-15 / 16-Dec-16	30, 43
United Kingdom	CK AND DEVICE		3092960	5-Feb-15 / 1-May-15	30, 43
United Kingdom	CHOWKING (CHINESE CHARACTERS)		3092950	5-Feb-15 / 1-May-15	30, 43
United Kingdom	RED RIBBON AND DEVICE		UK00003107214	5-May-15 / 10-Sep-15	30, 32, 43
United Kingdom	RED RIBBON (WORD MARK)		UK00003107207	5-May-15 / 10-Sep-15	30, 32, 43
United Kingdom	CK CHOWKING WITH CHINESE CHARACTERS AND AND DEVICE		UK00003118510	20-Jul-15 / 11-Dec-15	30, 43
United Kingdom	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		3138210	27-Nov-15 / 26-Feb-16	29, 43
United Kingdom	CHOWKING (WORD MARK)		3166053	23-May-16 / 26-Aug-16	30, 43
United Kingdom	G AND DEVICE		3166209	24-May-16 / 26-Aug-16	30, 43
United Kingdom	GREENWICH (WORD MARK)		3166206	24-May-16 / 26-Aug-16	30
United Kingdom	MANG INASAL AND DEVICE		3166217	24-May-16 / 26-Aug-16	29, 43
United Kingdom	MANG INASAL (WORD MARK)		3166220	24-May-16 / 26-Aug-16	29, 43
United Kingdom	G GREENWICH DEVICE		3186059	16-Sep-16 / 16-Dec-16	43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
United States of America	CHOWKING (WORD MARK)		74294980 / 1758539	17-Jul-92 / 16-Mar-93	29, 30
United States of America	JOLLIBEE AND BEE HEAD DEVICE		74/409992 / 2074116	7-Jul-93 / 24-Jun-97	29, 30, 32, 42
United States of America	CHOWKING (WORD MARK)		75135433 / 2157483	17-Jul-96 / 12-May-98	42
United States of America	BEE HAPPY (WORD MARK)		76/355920 / 2,830,503	7-Jan-02 / 6-Apr-04	43
United States of America	JOLLIBEE AND BEE HEAD DEVICE		78/546427 / 3152057	12-Jan-05 / 3-Oct-06	43
United States of America	JOLLIBEE (WORD MARK)		78/683906 / 3196017	2-Aug-05 / 9-Jan-07	43
United States of America	AMAZING ALOHA (WORD MARK)		78/773483 / 3399726	14-Dec-05 / 18-Mar-08	29
United States of America	CHICKENJOY (WORD MARK)		78/773490 / 3949145	14-Dec-05 / 19-Apr-11	29
United States of America	HEAVYWEIGHT YUMBURGER (WORD MARK)		78/773517 / 3349865	14-Dec-05 / 4-Dec-07	30
United States of America	JOLLIBEE BURGER STEAK (WORD MARK)		78/773477 / 3562559	14-Dec-05 / 13-Jan-09	29
United States of America	JOLLY SPAGHETTI (WORD MARK)		78/773476 / 3374063	14-Dec-05 / 22-Jan-08	30
United States of America	PALABOK FIESTA (WORD MARK)		78/773470 / 3393101	14-Dec-05 / 4-Mar-08	29
United States of America	YUM (WORD MARK)		78-773,415 / 3,363,459	14-Dec-05 / 1-Jan-08	30
United States of America	YUMBURGER (WORD MARK)		78/773383 / 3349864	14-Dec-05 / 4-Dec-07	30
United States of America	MAUNA KEA (WORD MARK)		77079081 / 3407972	9-Jan-07 / 8-Apr-08	30
United States of America	RED RIBBON BAKESHOP AND DEVICE		77/432389 / 4002736	26-Mar-08 / 26-Jul-11	43
United States of America	RED RIBBON CAKES BY DESIGN AND DEVICE		77/432371 / 3944675	26-Mar-08 / 12-Apr-11	43
United States of America	RED RIBBON AND DEVICE (COLOR)		77/432353 / 3825620	26-Mar-08 / 27-Jul-10	43
United States of America	MANG INASAL, HOME OF REAL PINOY STYLE BARBEQUE (WORD MARK)		85/151,317 / 4076031	13-Oct-10 / 27-Dec-11	43
United States of America	G AND DEVICE		85511715 / 4975740	9-Jan-12 / 14-Jun-16	30, 43

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
United States of America	MANG INASAL AND DEVICE		85/512045 / 4876549	9-Jan-12 / 29-Dec-15	29, 43
United States of America	MANG INASAL (WORD MARK)		85/511948 / 4876548	9-Jan-12 / 29-Dec-15	29, 43
United States of America	BEE HEAD DEVICE		85/513900 / 4426087	11-Jan-12 / 29-Oct-13	29, 43
United States of America	CHICKENJOY (WORD MARK)		85/524814 / 4874637	25-Jan-12 / 22-Dec-15	43
United States of America	JOLLIBEE (WORD MARK)		85/524886 / 4426109	25-Jan-12 / 29-Oct-13	29
United States of America	RED RIBBON (WORD MARK)		85/524951 / 4641550	25-Jan-12 / 18-Nov-14	29, 30, 32, 43
United States of America	RED RIBBON AND DEVICE		85/525020 / 4641551	25-Jan-12 / 18-Nov-14	29, 30, 32, 43
United States of America	CK AND DEVICE		85/602922 / 4451992	19-Apr-12 / 17-Dec-13	30, 43
United States of America	CHOWKING (CHINESE CHARACTERS)		85/603017 / 4534081	19-Apr-12 / 20-May-14	30, 43
United States of America	BEE DEVICE		85/872818	11-Mar-13	29, 43
United States of America	G GREENWICH PIZZA AND PASTA AND DEVICE		85901858	11-Apr-13	30, 43
United States of America	CHOWKING (WORD MARK)		86356667 / 4965294	4-Aug-14 / 24-May-16	29, 30
United States of America	HOME OF THE FAMOUS CHICKENJOY (WORD MARK)		86836564	2-Dec-15	29, 43
United States of America	GREENWICH PIZZA & PASTA (WORD MARK)		86849476	15-Dec-15	30
United States of America	JOLLY BURGER (WORD MARK)		87028166	6-May-16	30
United States of America	JOLLY CHICKEN (WORD MARK)		87028174	6-May-16	29
United States of America	JOLLY HOTDOG (WORD MARK)		87028187	6-May-16	29
United States of America	JOLLY KRUNCHY TWIRL (WORD MARK)		87028194	6-May-16	29, 30
United States of	JOLLY VANILLA		87028182	6-May-16	29, 30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
America	TWIRL (WORD MARK)				
United States of America	JOLLY CRISPY FRIES (WORD MARK)		87030021	9-May-16	29
United States of America	JINJA (WORD MARK)		2670215	31-Dec-02	42
United States of America	JOLLIBEE & DESIGN		74/409992/2074116	24-Jun-97	29, 30, 32, 42
Vietnam	BEE DEVICE		4-1995-22974 / 19997	18-May-95 / 10-Feb-96	29
Vietnam	RED RIBBON AND DEVICE		4-2004-04544 / 75701	14-May-04 / 5-Oct-06	43
Vietnam	JOLLIBEE (WORD MARK)		4200502046 / 89304	25-Feb-05 / 20-Sep-07	43
Vietnam	BEE DEVICE		4200825172 / 153633	25-Nov-08 / 28-Oct-10	29, 43
Vietnam	JOLLIBEE AND BEE HEAD DEVICE		4-2008-25170 / 153631	25-Nov-08 / 28-Oct-10	29, 43
Vietnam	PEEKING BEE HEAD DEVICE		4200825171 / 153632	25-Nov-08 / 28-Oct-10	29, 43
Vietnam	JOLLIBEE AND BEE HEAD DEVICE		4201208039 / 210299	24-Apr-12 / 13-Aug-13	29, 43
Vietnam	CHICKENJOY (WORD MARK)		4201208038 / 210298	24-Apr-12 / 13-Aug-13	29, 43
Vietnam	JOLLIBEE (WORD MARK)		4-2012-08037 / 210739	24-Apr-12 / 13-Aug-13	29, 43
Vietnam	MANG INASAL AND DEVICE		4-2012-10479 / 210377	22-May-12 / 15-Aug-13	29, 43
Vietnam	MANG INASAL (WORD MARK)		4-2012-10478 / 210376	22-May-12 / 15-Aug-13	29, 43
Vietnam	CHAMP (WORD MARK)		4201304470 / 225455	12-Mar-13 / 3-Jun-14	30

COUNTRY	TITLE OF TRADEMARK	REPRESENTATION OF TRADEMARK	REGISTRATION NO	REGISTRATION DATE	CLASS/ES
Vietnam	BEE DEVICE		4201304474 / 225456	12-Mar-13 / 3-Jun-14	29, 43
Vietnam	RED RIBBON (WORD MARK)		4201409618 / 253437	5-May-14 / 23-Oct-15	30, 43
Vietnam	JOLLIBEE EVERYDAY DELICIOUS	JOLLIBEE EVERYDAY DELICIOUS	254335	12-Nov-15	29
Vietnam	YUM	YUM			29

Annex “A-5”

Discussion on Properties, Legal Proceedings and Financial Information

PROPERTIES

The Company's properties are, primarily, its company-owned Jollibee stores which are located either on company-owned premises or on land or buildings leased by the Company from third parties under land or building lease agreements. In terms of store floor area, the largest company-owned Jollibee stores are the following:

STORE LOCATION	SITE OWNER	TYPE OF LEASE
Davao Maa DT	Julian Rodriguez, Jr.	Land
Tuguegarao Tanza Junction	Romeo Babaran	Land
Fairview Regalado	Brixton Builders Corporation / Sanrox Development Corporation	Land
FTI Sunshine	Shoppers Paradise FTI Corporation	Building
Carmona Highway	Grandworth Resources Corporation	Land
Puerto Princesa Junction	Palawan Jolly Foods Corporation	Land
Palo Leyte	V Lava and Company Incorporated	Land
Paciano / Mayapa	STF Realty and Development Corp.	Land
Tanay Highway	Geronimo M. Custodio / Darwin B. Garcia	Land
Gen Maxilom	Cebu Super Development Corporation and Jesa Management Corporation	Land
North Harbour	Chong 119 Philippines Corporation	Land
Davao Talomo	Emelito Yparraguirre	Land
Canlubang	Sugar Junction Inc./Leandro Y. Locsin, Jr.	Land
Dolores Junction	Jolly Palate Foods Corp	Land
Ortigas Roosevelt	Alben Holdings Corporation	Land
Mactan Basak (Mepz 2)	Lolita Berdin	Land
Agoo La Union	Niscan Development Corp.	Land
Calumpang	1.) Criselda Crisologo 2.) Crischona Caparros 3.) Manolito Sayas	Land
Bacao	Pablo Tobiano	Land
Molino	Shoppers Paradise Molino Corp./Francisco M. Aquino	Land

The Company houses its main office in the Jollibee Plaza located in 10 F. Ortigas Jr. Avenue, Ortigas Center, Pasig City (where it occupies an area totaling approximately 10,104.35 square meters) and in the Jollibee Center located in San Miguel Avenue (where it occupies an area totaling approximately 3,089.50 square meters). It also leases additional office spaces in the Jollibee Plaza, Jollibee Center, and the Karina, JJACISS and Sheridan buildings. In Cebu City, satellite main office at the Insular Life Building, Ayala Center Cebu enables the Company to take direct and timely advantage of the business opportunities in the Visayas and Mindanao Areas.

The 10-hectare property occupied by ZFC in Calamba, Laguna is owned by the Company, while the 7,719-square meter property occupied by ZFC in Mandaue City is owned by Freemont Foods Corporation. The Company also has a warehousing and distribution center in Brgy. Marcelo Green Village, Paranaque City.

To keep up with demand, the Company leases and operates various warehousing and distribution centers nationwide. The latest addition being the building leased at Brgy. La Huerta, Paranaque City.

All of the properties owned by the Company are free of liens and encumbrances.

LEGAL PROCEEDINGS

For purposes of this discussion, a legal proceeding is deemed “material” if the claim involved amounts to at least PhP5,000,000.00. Following are the material pending legal proceedings to which the Company is a party as of December 31, 2016:

SPS. ESCAT, *ET AL.*, VS. JOLLIBEE FOODS CORP., *ET AL.*
Civil Case No. Q-93-17683
Regional Trial Court, Branch 85, Quezon City

This is a claim for damages amounting to PhP5.3 Million arising from various illnesses allegedly suffered by the children of the plaintiffs after dining at the Jollibee Crossroads Arcade, a franchised store owned and operated by Great Foods Corp.

Federal Phoenix Assurance Co. Inc. who was impleaded as third-party defendant by Great Foods Corp. has already presented its case and all of its documentary evidence were admitted by the Court on February 29, 2016. Plaintiffs will be presenting their rebuttal evidence on June 6, 2016. Plaintiffs were considered to have waived their rights to present rebuttal evidence for failure to appear at the scheduled hearing and submit the required judicial affidavit. The case is now submitted for resolution.

L.O.L. FOOD VENTURES CORP. VS. JOLLIBEE FOODS CORP., *ET AL.*
Civil Case No. 02-105339
Regional Trial Court, Branch 37, Manila

LOL Food Ventures Corporation, MALL Food Ventures Corporation (“MALL”) and Royal Garden Restaurant, Inc. (“Royal Garden”) are sub-lessees of the Company. The Company, on the other hand, is the lessee of LOL Realty Corporation. While the Company is the sub-lessor of LOL Food Ventures, MALL and Royal Garden, these sub-lessees remit their rent directly to LOL Realty Corporation, the principal lessor.

LOL Food Ventures filed this case seeking reimbursement from MALL and Royal Garden for the leased premises’ common area expenses that LOL Food Ventures allegedly advanced since 1999 on behalf of MALL and Royal Garden in the amount of PhP3,394,482.24 for Royal Garden and PhP2,740,311.57 for MALL. LOL Food Ventures impleaded the Company as a party defendant and holds the Company liable for the total amount of PhP6,134,793.81 in view of the Company’s role as the sub-lessor of the leased premises and therefore, according to LOL Food Ventures Corporation, responsible for collecting the common area expenses from MALL and Royal Garden.

On 7 March 2002, the Company filed its “Answer With Counterclaim and Cross-claim” maintaining that the common area expenses pertain to the operation of the common area as a food court and include the following items: electric and water utility charges, security services, janitorial services and other related food court operating expenses. While the Company is the sub-lessor of the plaintiff, MALL and Royal Garden, the Company never agreed to act as the operator of the food court (the common area) charged with collecting the expenses connected with its day-to-day operation.

On 3 December 2014, the Court rendered a Decision holding the Company and other defendants jointly and severally liable to the plaintiff. The total amount awarded was approximately PhP6 Million. On 17 January 2015, the Company filed a Motion for Reconsideration which was subsequently denied. The Company appealed to the Court of Appeals. The Company filed its

Appellant's Brief and on 11 July 2015, LOL filed its Appellee's Brief. On 20 August 2015, the Company filed its Reply Brief.

In January 2016, mediation before the Court of Appeals was terminated due to failure of the parties to enter into an amicable settlement. The case shall proceed to trial.

FINANCIAL INFORMATION

(1) MARKET INFORMATION

Shares traded at the Philippine Stock Exchange

	2016		2015	
	High	Low	High	Low
1 st Quarter	234.40	194.00	235.80	209.60
2 nd Quarter	242.00	221.80	224.00	194.80
3 rd Quarter	260.00	236.00	196.00	180.00
4 th Quarter	251.40	185.50	222.00	192.00

Source: Philippine Stock Exchange

The high and low daily closing prices as of May 12, 2017, the latest practicable trading date, are Php213.00 and Php210.20, respectively.

(2) HOLDERS

There are approximately 3,073 holders as of April 30, 2017. The Company's top 20 shareholders as of this date are:

Jollibee Foods Corporation		
Top 20 Stockholders		
As of April 30, 2017		
	Total Direct & Indirect Shares	Percentage of Ownership Issued & Outstanding*
1 PCD Nominee Corporation (Non-Filipino)	288,584,562	26.69%
2 Hyper Dynamic Corporation	273,218,750	25.27%
3 Honeysea Corporation	127,743,747	11.81%
4 PCD Nominee Corporation (Filipino)	127,395,984	11.78%
5 Winall Holding Corporation	54,140,736	5.01%
6 Honeyworth Corporation	40,293,953	3.73%
7 Kingsworth Corporation	29,168,935	2.70%
8 Centregold Corporation	27,430,964	2.54%
9 Gemma Tanbuntiong	21,910,601	2.03%
10 A-Star Holding Corporation	17,920,393	1.66%
11 Venice Corporation	17,423,735	1.61%
12 Tony Tan Caktiong	8,494,565	0.79%
13 William Tan Untiong	8,009,722	0.74%
14 Azucena T. King	7,491,199	0.69%
15 Ernesto Tanmantiong	7,300,970	0.68%
16 Longshore Corporation	3,610,184	0.33%
17 Paul Rosenberg	1,284,010	0.12%
18 Susana Tanmantiong	1,164,857	0.11%
19 Baysa, Ysmael	811,667	0.08%
20 Masancay, Anastacia	746,000	0.07%
Total	1,064,145,534	98.42%
Others	17,096,835	1.58%
Total Issued and Outstanding	1,097,689,709	
Treasury Shares (per SEC 11-C)	16,447,340	1.52%
Total Issued and Outstanding*	1,081,242,369	100.00%
*(net of Treasury Shares)		

(3) EQUITY OWNERSHIP OF FOREIGNERS

The foreign ownership percentage, as of April 30, 2017, is as follows:

Citizenship	Number of Shares Held	% over Total Issued and Outstanding Shares
French	900	0.00%
British	1,250	0.00%
Australian	3,402	0.00%
Chinese	6,000	0.00%
Singaporean	18,000	0.00%
American	576,064	0.05%
Other Alien	289,389,017	26.76%
Total	289,994,633	26.82%

Annex “B”

Summary of Resolutions of the Board of Directors and Executive Committee since the Last Annual Stockholders’ Meeting

Date	Resolutions
2016	
July 22, 2016 <i>(Organizational Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting - Certification of Election of Directors for the year 2016-2017 - Election of Officers for the year 2016-2017 - Designation of Members of Board Committees - Independent Adviser; Appointment of Assistant Corporate Secretary
July 22, 2016 <i>(Approvals by the Executive Committee)</i>	- Approval of Additional Capital Contribution to SJBF LLC
August 1, 2016 <i>(Approvals by the Executive Committee)</i>	- Designation of Authorized Representatives – Transfer of MERALCO account - Designation of Authorized Representatives for Food and Drug Administration
August 8, 2016 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting and Ratification of Acts of Executive Committee - Presentation and Approval of 2nd Quarter 2016 Results
August 31, 2016 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting and Ratification of Acts of Executive Committee - Designation of Authorized Representatives – Execution of Guarantee for Honeybee Foods (Canada) Corporation Lease Agreement - Designation of Proxy to Cargill JV Entities - Additional Capital Contribution to Cargill JV Entities - Approval of Execution of Guarantee for Loans of Non-Wholly Owned Subsidiaries
September 20, 2016 <i>(Approvals by the Executive Committee)</i>	- Approval of Additional Capital Contribution to SJBF LLC - Authorized Representative – Transactions with Government Agencies
October 3, 2016 <i>(Approvals by the Executive Committee)</i>	- Authorized Signatories – Lease of Property
November 7, 2016 <i>(Approvals by the Executive Committee)</i>	- Designation of Authorized Signatories – Lifting of Abandonment of Shipment - Updating of Authorized Signatories – Escrow Agreement with Rizal Commercial Banking Corporation for Jollibee South Luzon Stores - Designation of Authorized Signatories – Jollibee Petron C5 Bagumbayan

Date	Resolutions
November 11, 2016 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting - Presentation and Approval of 3rd Quarter 2016 Results - Dividend Declaration - Approval of Additional Capital Contribution to SJBF LLC - Designation of Authorized Representatives – Execution of Guarantee for Honeybee Foods (Canada) Corporation Lease Agreement
November 18, 2016 <i>(Special Meeting of the Board of Directors)</i>	- Approval of Execution of Agreement by its Subsidiary - Approval of Execution of Guarantee of a Wholly-Owned Subsidiary
November 24, 2016 <i>(Special Meeting of the Board of Directors)</i>	- Approval of Additional Capital Contribution to Golden Cup Pte. Ltd.
December 9, 2016 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting - Presentation and Approval of 2017 Budget - Authorized Representative – Sale of Property
December 20, 2016 <i>(Approvals by the Executive Committee)</i>	- Designation of Authorized Signatory – Execution of Guarantee for Loan Agreement between Bank of Philippine Islands and Perf Restaurants Inc. - Designation of Authorized Signatory – Execution of Indemnity Undertaking
2017	
January 16, 2017 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting and Ratification of Acts of Executive Committee - Approval of Execution of Master Service Agreement
January 23, 2017 <i>(Approvals by the Executive Committee)</i>	- Designation of Authorized Representatives – Execution of Guaranty for Honeybee Foods Corporation for Jollibee Mira Mesa - Designation of Authorized Representative – Proceedings for cancellation of lis pendens and adverse claim annotations
February 6, 2017 <i>(Approvals by the Executive Committee)</i>	- Approval of Execution of Guarantee to Standard Chartered Bank for Non-Wholly Owned Subsidiary - Designation of Authorized Signatory – Memorandum of Agreement with Lazada E-Services Philippines, Inc. - Designation of Authorized Signatories – Permits application of Service Engineering Office
February 14, 2017 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting and Ratification of Acts of Executive Committee - Presentation and Approval of the 4th Quarter 2016 Results

Date	Resolutions
	- Designation of Authorized Representatives – Execution of Guaranty for Honeybee Foods Corporation for Jollibee Maui, Hawaii - Designation of Authorized Representatives – Execution of Guaranty for Golden Plate Pte. Ltd. for Jollibee Milan, Italy
February 24, 2017 <i>(Approvals by the Executive Committee)</i>	- Approval on Execution of Continuing Guarantee
March 6, 2017 <i>(Approvals by the Executive Committee)</i>	- Designation of Mr. Winston B. Sia as RBU Head - Visayas
March 14, 2017 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting and Ratification of Acts of Executive Committee - Approval of Execution of Amendment to the Amended and Restated Limited Liability Company Agreement - Approval of Additional Capital Contribution to SJBF LLC - Additional Investment for Happy Bee Foods Processing (Anhui) Co. Ltd.
March 31, 2017 <i>(Special Meeting of the Board of Directors)</i>	- Authorization to Golden Plate Pte. Ltd. to Enter into Joint Venture with Blackbird Holdings Pte. Ltd.
April 5, 2017 <i>(Regular Meeting of the Board of Directors)</i>	- Approval of Minutes of Previous Meeting and Ratification of Acts of Executive Committee - Presentation and Approval of the 2016 Audited Financial Statements - Approval of Record Date for Purposes of Annual Stockholders' Meeting - Designation of Authorized Signatories to the Statement of Management Responsibility - Dividend Declaration - Approval of Execution of Loan Agreement by Subsidiary
April 10, 2017 <i>(Approvals by the Executive Committee)</i>	- Designation of Signatories for Documents for Submission to Philippine Dealing System Holdings Corp. & Subsidiaries - Designation of Authorized Signatory for Utility Line Applications - Designation of Authorized Signatory for Environmental Compliance and Energy Management Requirements

Annex “C”

Financial Statements

Annex “C-1”

Audited Consolidated Financial Statements for the year ended December 31, 2016

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

The management of **JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES** (the Jollibee Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

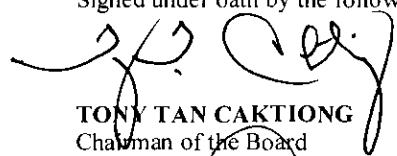
In preparing the consolidated financial statements, management is responsible for assessing the Jollibee Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate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

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

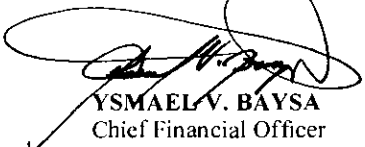
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

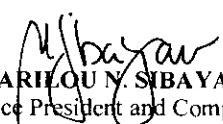
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Jollibee Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation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

Signed under oath by the following:


TONY TAN CAKTIONG
Chairman of the Board


ERNESTO TANMANTIONG
President and Chief Executive Officer


YSMAEL V. BAYSA
Chief Financial Officer


MARILOU N. SIBAYAN
Vice President and Comptroller - Worldwide

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)S.S

Before me, a notary public in and for the city named above, personally appeared the following:

Name	Competent Evidence of Identity
Tony Tan Caktiong	SSS Number: 03-5003942-0
Ernesto Tanmantiong	SSS Number: 03-6292699-0
Ysmael V. Baysa	SSS Number: 03-4228219-1
Marilou N. Sibayan	SSS Number: 03-9964176-9

Who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took on oath before me as to such instrument.

Witness my hand and seal this 05 APR 2017.

Doc. No. 49
Page No. 1
Book No. 3
Series of 2017


AIMEE BERYL C. TAN
Notary Public for the Philippines, Metro Manila
Notary Public Commission No. 127, issued on December 31, 2017
145 Jollibee Road, 1st Floor, Ortigas Center Pasig City 1605
2017-2023, issued on January 2, 2016 Pasig City
Bar No. 212751 Lifetime Member-Pasig City
Roll of Attorney No. 63761

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

7 7 4 8 7

COMPANY NAME

J O L L I B E E F O O D S C O R P O R A T I O N A N D
S U B S I D I A R I E S

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

1 0 / F J o l l i b e e P l a z a B u i l d i n g ,
1 0 F . O r t i g a s J r . A v e . , O r t i g a
s C e n t e r , P a s i g C i t y

Form Type

A C F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

president@jollibee.com.ph

Company's Telephone Number

(02) 634 - 1111

Mobile Number

-

No. of Stockholders

3,075

Annual Meeting (Month / Day)

Any day in the month of June

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Ysmael V. Baysa

Email Address

yvb@jollibee.com.ph

Telephone Number/s

688-7104

Mobile Number

-

CONTACT PERSON'S ADDRESS

10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City

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

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



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Jollibee Foods Corporation and Subsidiaries
10th Floor, Jollibee Plaza Building
10 F. Ortigas Jr. Ave., Ortigas Center
Pasig City

Opinion

We have audited the consolidated financial statements of Jollibee Foods Corporation (the Parent Company) and its subsidiaries (the Jollibee 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.

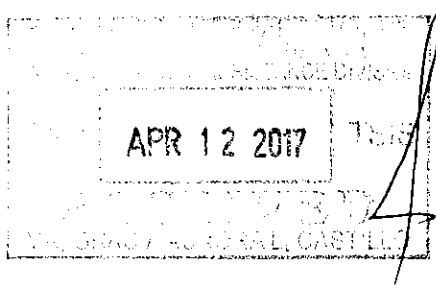
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Jollibee Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years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

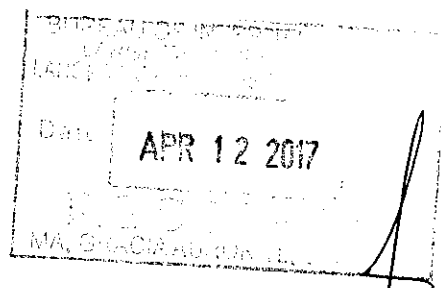
Basis for Opinion

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

Key Audit Matters

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





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

(1) Recoverability of goodwill and intangible asset with indefinite life

Goodwill and intangible asset with indefinite life accounts for 11.8% of the Jollibee Group's consolidated assets as of December 31, 2016. They relate to several cash generating units (CGUs) mainly from Jollibee Group's acquisitions in the Philippines, the People's Republic of China and the United States of America. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Jollibee Group is required to perform an annual impairment test on the amount of goodwill and intangible asset with indefinite life. These annual impairment tests are significant to our audit because the amounts are material to the consolidated financial statements. In addition, the determination of the recoverable amount of the CGUs to which the goodwill and intangible asset with indefinite life belong, involves significant assumptions about the future results of business such as long-term revenue growth rates, earnings before interest, taxes, depreciation and amortization (EBITDA) and discount rates which are applied to the cash flow forecasts.

Refer to Note 14 to the consolidated financial statements for the details on goodwill and intangible asset with indefinite life and the assumptions used in the forecasts.

Audit response

We obtained an understanding of the Jollibee Group's impairment assessment process and the related controls. We also involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the revenue growth, gross margins and discount rates. We compared the forecasted long-term revenue growth rates and EBITDA against the historical data of the CGUs and inquired from management and operations personnel about the plans to support the forecast. Furthermore, we tested the parameters used in the determination of discount rate against market data. We reviewed the weighted average cost of capital (WACC) used in the impairment test by comparing it with the WACC of comparable companies where the CGUs operate. We also reviewed the Jollibee Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible asset with indefinite life.

(2) Recoverability of investments in and advances to joint ventures

The Jollibee Group has investments in and advances to joint ventures domiciled in foreign countries which account for 13.6% of the Jollibee Group's consolidated total assets as of December 31, 2016. Under PAS 36, *Impairment of Assets*, the Jollibee Group is required to assess whether there are facts and circumstances indicating that the carrying amounts of investments in and advances to joint ventures exceed the recoverable amounts. Should there be indicators, the Jollibee Group is required to perform an impairment test on the amount of investments and advances. These impairment tests are significant to our audit because the amounts are material to the Jollibee Group's consolidated financial statements. In addition, the determination of the recoverable amount of the investments in and advances to joint ventures involves significant assumptions about the future results of the joint ventures' operations such as long-term revenue growth rates, EBITDA and discount rates which are applied to the cash flow forecasts.



Refer to Note 11 to the consolidated financial statements for the details of investments in and advances to joint ventures and Note 4 for the discussion of management's judgments and estimates.

Audit response

Our audit procedures included understanding the processes and controls involved in determining whether there are impairment indicators including performing the recoverability test when applicable. We also involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include long-term revenue growth rates, EBITDA and discount rates. These assumptions were compared against the historical data of the joint ventures and inquired from management about the plans to support the forecast. We tested the parameters used in determining the discount rate against market data. Moreover, we reviewed the WACC used in the impairment test by comparing it with WACC of comparable companies in the regions where these joint ventures operate.

(3) Provisions and contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. This matter is significant to our audit because the estimation of the potential liability resulting from these litigations, claims and disputes requires significant management judgment. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings.

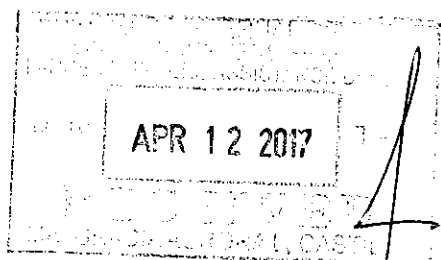
Please see Note 17 for the disclosures about provisions and Note 29 for the disclosures about contingencies of the Jollibee Group.

Audit response

Our audit procedures included understanding the Jollibee Group's processes and controls over the identification and evaluation of litigations, claims and disputes. We involved our internal specialist in evaluating management's assessment on whether provisions on the contingencies should be recognized, and the estimation of such amount. We also discussed the status of the litigations, claims and disputes with management. In addition, we obtained correspondences with the relevant government agencies, replies from third party legal counsels, and any relevant laws and rulings on similar matters.

(4) Recoverability of deferred income tax assets

The Parent Company and certain subsidiaries (foreign and local) have recognized deferred tax assets amounting to ₱2,894.1 million as of December 31, 2016. Of that amount, around 54.2% relates to net operating loss carryover and excess minimum corporate income tax over regular corporate income tax. Management estimated the recoverability of these deferred tax assets based on the forecasted taxable income taking into account the period in which they can be claimed in the Philippines and in the People's Republic of China. The analysis of the recoverability of deferred tax assets is significant to our audit because the assessment process requires use of management judgment. It is also based on assumptions of future revenues and expenses as well as management's plans and strategies of the relevant taxable entities, including the Parent Company and certain subsidiaries.



Refer to Note 24 to the consolidated financial statements for the details of the deferred tax assets and Note 4 for the discussion of management's judgments and estimates.

Audit response

We obtained an understanding of the Parent Company and its subsidiaries' deferred income tax calculation process and, together with our internal specialist, the applicable tax rules and regulations. We reviewed management's assessment on the availability of future taxable income in reference to financial forecasts and tax strategies. We evaluated management's forecast by comparing forecasts of future taxable income against approved budgets, historical performance of the relevant entities like past growth rates and with relevant external market information such as inflation. We also reviewed the timing of the reversal of future taxable and deductible temporary differences.

Other Information

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

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

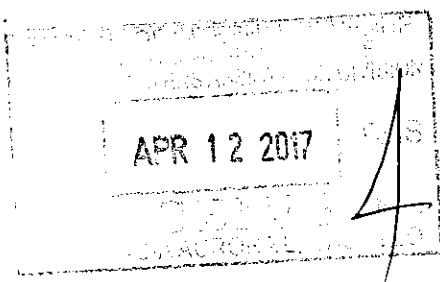
In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Jollibee 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 Jollibee Group or to cease operations, or has no realistic alternative but to do so.

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

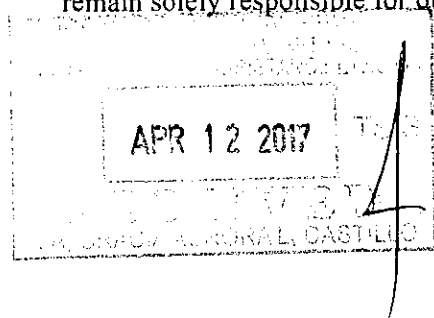


Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Jollibee 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 Jollibee Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Jollibee 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 Jollibee Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



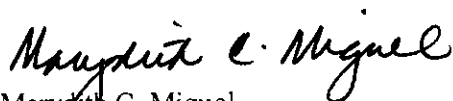
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

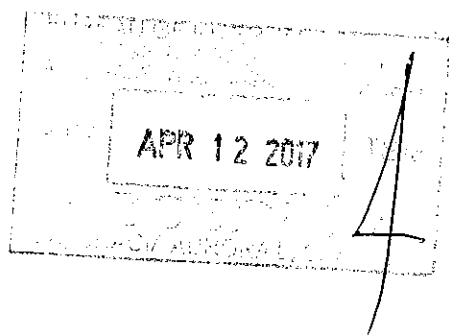
Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

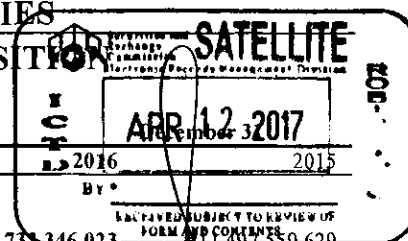
February 27, 2015, valid until February 26, 2018

PTR No. 5908731, January 3, 2017, Makati City

April 5, 2017



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



ASSETS

Current Assets

Cash and cash equivalents (Notes 6, 30 and 31)	P16,733,346,023	11,117,559,629
Short-term investments (Notes 6, 30 and 31)	726,002,456	922,317,012
Receivables (Notes 7, 30 and 31)	3,376,701,591	5,432,775,539
Inventories (Note 8)	5,987,346,224	5,478,416,309
Derivative asset (Notes 18, 30 and 31)	-	9,868,242
Other current assets (Note 9)	3,545,338,285	3,828,229,080
Total Current Assets	30,368,734,579	27,169,165,811

Noncurrent Assets

Available-for-sale financial assets (Notes 10, 30 and 31)	26,212,462	21,462,462
Interests in and advances to joint ventures, co-venturers and associates (Note 11)	9,873,296,708	8,449,310,264
Property, plant and equipment (Note 12)	16,655,567,285	14,547,151,906
Investment properties (Note 13)	983,427,881	998,113,493
Goodwill and other intangible assets (Note 14)	9,086,742,354	9,412,134,199
Operating lease receivables (Notes 29, 30 and 31)	25,994,919	12,516,788
Derivative asset (Notes 11, 18, 30 and 31)	78,329,324	75,031,052
Deferred tax assets - net (Note 24)	2,585,494,838	1,408,488,536
Other noncurrent assets (Notes 15, 30 and 31)	3,044,551,908	2,669,673,900
Total Noncurrent Assets	42,359,617,679	37,593,882,600
	P72,728,352,258	P64,763,048,411

LIABILITIES AND EQUITY

Current Liabilities

Trade payables and other current liabilities (Notes 16, 30 and 31)	P21,960,567,220	P19,527,045,864
Income tax payable	309,331,420	235,980,000
Short-term debt (Notes 18, 30 and 31)	-	282,360,000
Current portion of long-term debt (Notes 18, 30 and 31)	1,561,515,860	927,916,273
Liability for acquisition of businesses (Notes 11, 30 and 31)	-	94,852,231
Total Current Liabilities	23,831,414,500	21,068,154,368

Noncurrent Liabilities

Noncurrent portion of long-term debt (Notes 18, 30 and 31)	10,593,849,717	8,790,712,333
Pension liability (Note 25)	1,658,178,475	1,466,530,394
Operating lease payables (Notes 29, 30 and 31)	1,792,896,874	1,615,639,498
Derivative liability (Notes 18, 30 and 31)	33,530,586	34,921,275
Provisions (Note 17)	30,500,639	30,500,639
Deferred tax liabilities - net (Note 24)	506,576,982	-
Total Noncurrent Liabilities	14,615,533,273	11,938,304,139
Total Liabilities	38,446,947,773	33,006,458,507

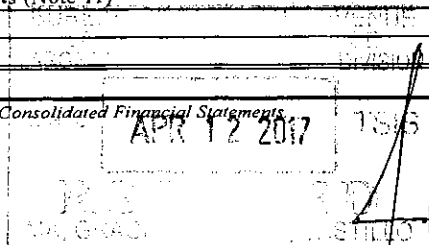
Equity Attributable to Equity Holders of the Parent Company (Note 30)

Capital stock (Note 19)	1,091,301,305	1,086,149,410
Subscriptions receivable (Note 19)	(17,177,884)	(17,177,884)
Additional paid-in capital (Note 19)	5,660,085,635	5,055,293,439
Cumulative translation adjustments of foreign subsidiaries and share in cumulative translation adjustments of interests in joint ventures	(20,811,094)	107,225,186
Remeasurement loss on net defined benefit plan - net of tax (Note 25)	(608,800,693)	(536,579,937)
Unrealized gain on change in fair value of available-for-sale financial assets (Note 10)	4,290,500	-
Comprehensive loss on derivative liability (Note 18)	(33,530,586)	(35,449,264)
Excess of cost over the carrying value of non-controlling interests acquired (Notes 11 and 19)	(2,152,161,386)	(542,764,486)
Retained earnings (Notes 19 and 30):		
Appropriated for future expansion	18,200,000,000	10,200,000,000
Unappropriated	11,659,531,772	15,487,039,084
	33,782,727,569	30,803,735,548
Less cost of common stock held in treasury (Note 19)	180,511,491	180,511,491
	33,602,216,078	30,623,224,057

Non-controlling Interests (Note 11)

Total Equity	34,281,404,485	31,756,589,904
	P72,728,352,258	P64,763,048,411

See accompanying Notes to Consolidated Financial Statements

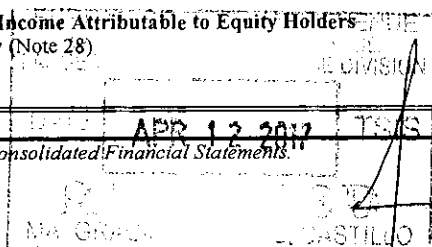


JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Gross sales	₱108,992,340,770	₱96,471,242,554	₱86,729,229,560
Sales discounts	(971,595,374)	(660,553,762)	(519,451,850)
Net sales	108,020,745,396	95,810,688,792	86,209,777,710
Royalty, franchise fees and others (Note 20)	5,887,016,152	4,969,028,967	4,461,460,490
	113,907,761,548	100,779,717,759	90,671,238,200
COST OF SALES (Note 21)	92,815,488,315	82,891,701,255	73,727,792,141
GROSS PROFIT	21,092,273,233	17,888,016,504	16,943,446,059
EXPENSES			
General and administrative expenses (Note 22)	11,861,439,884	10,288,042,742	8,953,711,295
Advertising and promotions	2,765,786,669	2,244,943,336	1,852,967,633
	14,627,226,553	12,532,986,078	10,806,678,928
INTEREST INCOME (EXPENSE) (Note 23)			
Interest income	286,913,607	257,783,585	242,045,341
Interest expense	(267,618,436)	(225,544,319)	(152,471,253)
	19,295,171	32,239,266	89,574,088
EQUITY IN NET LOSSES OF JOINT VENTURES AND ASSOCIATES – Net (Note 11)	(337,145,267)	(189,085,966)	(126,174,100)
OTHER INCOME (Note 23)	1,582,923,095	1,236,757,580	659,303,926
INCOME BEFORE INCOME TAX	7,730,119,679	6,434,941,306	6,759,471,045
PROVISION FOR INCOME TAX (Note 24)			
Current	2,334,854,889	1,926,077,984	1,694,768,550
Deferred	(658,243,832)	(537,470,070)	(424,239,011)
	1,676,611,057	1,388,607,914	1,270,529,539
NET INCOME	6,053,508,622	5,046,333,392	5,488,941,506
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Translation adjustments of foreign subsidiaries	(137,727,896)	82,044,115	79,806,642
Share in the OCI of joint ventures and an associate under equity method coming from translation adjustments (Note 11)	12,315,905	62,829,398	(155,868,959)
Net unrealized gain on available-for-sale financial assets – net of tax (Note 10)	4,290,500	–	–
Comprehensive income (loss) on derivative liability (Note 18)	2,368,447	(31,463,561)	1,882,127
	(118,753,044)	113,409,952	(74,180,190)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains (losses) on pension (Note 25)	(101,866,793)	(421,504,400)	358,528,285
Income tax effect (Note 24)	29,646,037	104,824,523	(106,374,133)
	(72,220,756)	(316,679,877)	252,154,152
	(190,973,800)	(203,269,925)	177,973,962
TOTAL COMPREHENSIVE INCOME	₱5,862,534,822	₱4,843,063,467	₱5,666,915,468
Net Income Attributable to:			
Equity holders of the Parent Company (Note 28)	₱6,164,735,373	₱4,928,236,228	₱5,361,978,768
Non-controlling interests	(111,226,751)	118,097,164	126,962,738
	₱6,053,508,622	₱5,046,333,392	₱5,488,941,506
Total Comprehensive Income Attributable to:			
Equity holders of the Parent Company	₱5,970,687,515	₱4,738,415,802	₱5,551,053,183
Non-controlling interests	(108,152,693)	104,647,665	115,862,285
	₱5,862,534,822	₱4,843,063,467	₱5,666,915,468
Earnings Per Share for Net Income Attributable to Equity Holders of the Parent Company (Note 28)			
Basic	₱5.747	₱4.618	₱5.075
Diluted	5.643	4.528	4.955

See accompanying Notes to Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock	Subscriptions Receivable	Additional Paid-in Capital	Cumulative Translations Adjustments of Foreign Subsidiaries and Share in Cumulative Translations	Remeasurement Loss on Net Defined Benefit Plan - net of tax	Unrealized Gain on Available-for-Sale Financial Assets	Comprehensive Income (Loss)	Excess of Cost Value of Non-controlling Interests Acquired	Retained Earnings (Note 19)	Cost of Common Stock Held in Treasury	Non-controlling Interest
	(Note 19)	(Note 19)	(Note 19)	(Note 19)	(Note 25)	(Note 10)	(Note 13)	(Notes 11 and 19)	Appropriated for Future Expenses	(Note 19)	(Note 11)
Balance at January 1, 2016	P1,085,149,410	(P17,177,884)	P5,055,253,439	P107,225,186	(P536,579,937)	P-	(P35,449,264)	(P542,764,486)	P10,200,000,000	(P180,511,491)	P1,133,365,847
Net income	-	-	-	(128,036,280)	(72,220,756)	4,290,500	1,918,678	-	P15,487,409,084	-	(111,276,751)
Total comprehensive income (loss)	-	-	-	(128,036,280)	(72,220,756)	4,290,500	1,918,678	-	6,164,735,373	-	3,074,058
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,151,895	-	363,468,517	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	241,323,679	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	-	-	-
Acquisition of minority interests (Note 11)	-	-	-	-	-	-	-	(1,992,242,685)	(1,992,242,685)	-	-
Appropriation during the period (Note 19)	-	-	-	-	-	-	(1,609,396,900)	-	(1,609,396,900)	-	-
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	(8,000,000,000)	(8,000,000,000)	-	-
Arising from divestment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2016	P1,091,301,305	(P17,177,884)	P5,660,085,635	(P20,811,094)	(P608,800,693)	P4,290,500	(P31,530,586)	(P2,152,161,346)	P18,200,000,000	(P180,511,491)	P6,670,188,407
Balance at January 1, 2015	P1,081,040,314	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2015	P1,086,149,410	(P17,177,884)	P5,055,253,439	P107,225,186	(P536,579,937)	P-	(P35,449,264)	(P542,764,486)	P10,200,000,000	(P180,511,491)	P1,133,365,847
Balance at December 31, 2014	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2013	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2012	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2011	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2010	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2009	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2008	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2007	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2006	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2005	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)	5,109,096	-	229,619,423	-	-	-	-	-	-	-	-
Cost of stock options granted (Notes 19, 22 and 26)	-	-	73,211,693	-	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	(1,886,859,614)	-	-
Cash dividends received by non-controlling interest	-	-	-	-	-	-	-	-	-	-	(53,503,302)
Arising from incorporation of a subsidiary	-	-	-	-	-	-	-	-	-	-	177,622,620
Balance at December 31, 2004	P1,075,638,984	(P17,177,884)	P4,852,162,323	(P25,789,376)	(P219,900,000)	P-	(P7,395,155)	(P542,764,486)	P12,445,662,470	(P180,511,491)	P887,694,866
Net income	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	4,928,236,228	-	118,097,164
Movements in other equity accounts:											
Issuances of and subscriptions to capital stock (Note 19)</											

Equity Attributable to Equity Holders of the Parent Company

See accompanying Notes to Consolidated Financial Statements.

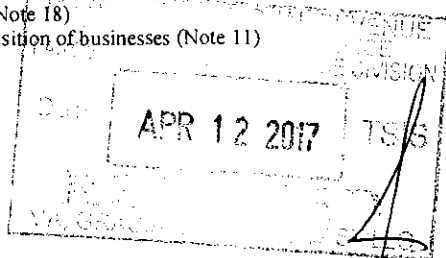
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JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

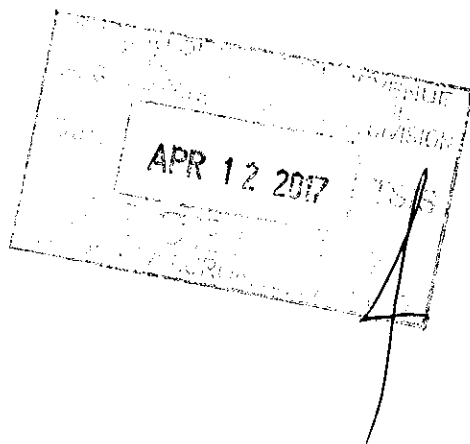
	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱7,730,119,679	₱6,434,941,306	₱6,759,471,045
Adjustments for:			
Depreciation and amortization (Notes 12, 13, 14, 15, 21 and 22)	3,995,868,115	3,425,676,922	3,186,379,730
Equity in net losses of joint ventures and an associate (Note 11)	337,145,266	189,085,967	126,174,100
Interest income (Note 23)	(286,913,607)	(257,783,585)	(242,045,341)
Interest expense (Note 23)	267,618,436	225,544,319	152,471,253
Stock options expense (Notes 22 and 26)	241,323,679	173,211,693	166,490,888
Loss on disposals and retirements of property and equipment (Notes 12, 13 and 22)	236,808,617	136,746,521	156,615,427
Deferred rent amortization – net (Note 29)	193,237,110	79,366,125	(24,047,625)
Impairment losses on:			
Receivables (Notes 7 and 22)	91,414,715	325,907,626	36,301,470
Inventories (Notes 8 and 22)	78,621,389	11,048,562	11,066,386
Property, plant and equipment (Note 22)	42,731,142	–	2,000,000
Movement in pension liability (Notes 21, 22 and 25)	89,781,288	212,635,742	187,283,727
Net unrealized foreign exchange gain	(79,314,219)	(31,602,975)	6,320,479
Gain on divestment of subsidiaries (Notes 11 and 23)	(66,694,732)	–	–
Reversals of impairment losses on:			
Inventories (Notes 8 and 22)	(18,129,447)	(12,047,290)	(8,489,305)
Receivables (Notes 7 and 22)	(3,188,474)	(4,605,656)	(868,308)
Property, plant and equipment (Note 22)	(2,000,000)	–	(62,647,298)
Gain on movement in derivative assets (Note 18)	(3,298,272)	–	–
Income before working capital changes	12,845,130,685	10,908,125,277	10,452,476,628
Decreases (increases) in:			
Receivables	2,299,070,278	2,269,039,596	(4,329,136,233)
Inventories	(593,238,407)	494,396,411	(2,413,958,938)
Other current assets	327,543,600	(1,510,842,807)	(1,288,316,588)
Increases in trade payables and other current liabilities	1,865,216,799	2,976,473,345	1,794,597,130
Net cash generated from operations	16,743,722,955	15,137,191,822	4,215,661,999
Income taxes paid	(2,261,503,469)	(1,871,927,109)	(1,667,683,961)
Interest received	278,098,596	219,845,694	212,872,623
Net cash provided by operating activities	14,760,318,082	13,485,110,407	2,760,850,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 12)	(6,694,133,314)	(4,596,786,547)	(5,045,474,419)
Minority interests (Note 11)	(2,070,158,570)	–	–
Interest in joint ventures (Note 11)	(1,617,092,167)	(5,057,543,417)	(74,998,875)
Cash from acquired business - net of cash paid (Note 11)	113,357,781	–	–
Intangible assets (Note 14)	(23,705,581)	(99,980,421)	(318,736,601)
Market entry fee (Notes 11 and 15)	–	(93,870,000)	–
Investment property (Note 13)	–	–	(277,484,623)
Proceeds from disposals of:			
Subsidiaries – net (Note 11)	96,486,335	–	–
Property, plant and equipment	92,730,444	46,049,000	291,195,603
Decreases (increases) in:			
Short term-investments	196,314,556	(922,317,012)	–
Other noncurrent assets	(170,598,340)	(89,368,653)	(270,947,498)
Net cash used in investing activities	(10,076,798,856)	(10,813,817,050)	(5,696,446,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 19)	(1,988,082,146)	(1,899,665,609)	(1,560,657,861)
Long-term debt (Note 18)	(929,558,000)	(734,360,000)	(1,096,987,500)
Short-term debt (Note 18)	(282,360,000)	(9,191,000,000)	–
Liability for acquisition of businesses (Note 11)	(94,852,231)	(87,775,326)	(109,920,000)

(Forward)



	Years Ended December 31		
	2016	2015	2014
Proceeds from:			
Long-term debt (Note 18)	₱2,993,810,000	₱5,176,600,000	₱1,053,535,000
Issuances of and subscriptions to capital stock	368,620,412	435,028,519	657,386,344
Short-term debt (Note 18)	—	7,594,200,000	1,865,000,000
Contributions from non-controlling interests	715,608,000	177,627,620	—
Interest paid	(232,646,336)	(188,647,612)	(123,473,583)
Dividends paid to non-controlling interests	—	(63,503,302)	(40,228,716)
Net cash provided by financing activities	550,539,699	1,218,504,290	644,653,684
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,234,058,925	3,889,797,647	(2,290,942,068)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,727,469	(10,711,285)	5,538,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,497,559,629	7,618,473,267	9,903,877,068
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱16,733,346,023	₱11,497,559,629	₱7,618,473,267

See accompanying Notes to Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

NOTES TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Jollibee Foods Corporation (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Jollibee Group”) and affiliates are involved primarily in the development, operation and franchising of quick service restaurants (QSRs) under the trade names “Jollibee”, “Chowking”, “Greenwich”, “Red Ribbon”, “Yong He King”, “Hong Zhuang Yuan”, “Mang Inasal”, “Burger King”, “Highlands Coffee”, “Pho24”, “12 Hotpot”, “Dunkin’ Donuts” and “Smashburger”. The other activities of the Jollibee Group include manufacturing and property leasing in support of the quick service restaurant systems and other business activities (see Notes 2 and 5).

The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE) beginning July 14, 1993.

The registered office address of the Parent Company is 10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City.

The consolidated financial statements as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2017.

2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Jollibee Group have been prepared on a historical cost basis, except for the derivative assets and liabilities, and available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency.

Statement of Compliance

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

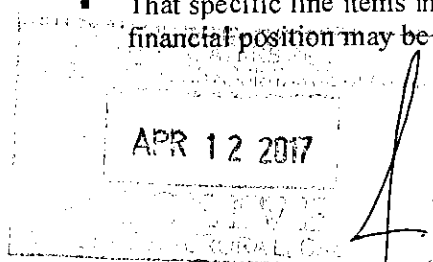
Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new PFRSs and amendments to existing PFRS which became effective on January 1, 2016:

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative*

The amendments in PAS 1 clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify:

- The materiality requirements in PAS 1;
- That specific line items in the statements of comprehensive income and the statements of financial position may be disaggregated;



- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statements of financial position and the statements of comprehensive income. These amendments only affect disclosures and have no significant impact on the Jollibee Group's financial condition and performance.

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarifications of Acceptable Methods of Depreciation and Amortization*

The amendments 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. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are applied prospectively. These are not applicable to the Jollibee Group, given that it has not used a revenue-based method to depreciate its non-current assets.

- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*

The amendments 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. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are applied retrospectively and do not presently have any impact on the Jollibee Group as it does not have any bearer plants.

- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associate in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments do not have any impact on the Jollibee Group's consolidated financial statements.



- 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*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the consolidated financial statements since the Jollibee Group is not an investment entity nor does it have any interest in an investment entity.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 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 also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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 applied prospectively. The Jollibee Group has not acquired an interest in a joint operation

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 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. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Jollibee Group is an existing PFRS preparer, this new standard did not have any impact on the Jollibee Group's financial condition and performance.

- 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. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the



other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. This amendment is applied prospectively and has no significant impact on the Jollibee Group's financial condition and performance.

- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. This amendment is not applicable to the Jollibee Group, having no servicing contracts for its financial assets.

- *PFRS 7, Financial Instruments: Disclosure - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively and this does not have significant impact on the Jollibee Group's consolidated financial statements.

- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*

The amendment 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. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. Government bond rates are currently used to determine the present value of the Jollibee Group's defined benefit obligation due to the absence of a deep market for high quality corporate bonds denominated in the same currency as the Jollibee Group's defined benefit obligation. This amendment is applied retrospectively. The Jollibee Group is already compliant with the requirements of this amendment even before it became effective since government bond rates are currently used to calculate the present value of the Jollibee Group's defined benefit obligation due to the absence of a deep local market for high quality corporate bonds.

- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment 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 interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively and has no significant impact on the Jollibee Group's financial condition and performance.



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

The Jollibee Group will adopt the following revised standards, interpretations and amendments when these become effective.

Effective January 1, 2017

- *PAS 7, Statement of Cash Flows - Disclosure Initiative*

The amendments to PAS 7 are part of disclosure initiative to help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The amendments will not have any significant change in the Jollibee Group's financial position and performance other than additional disclosures.

- *PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments to PAS 12 clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments are retrospectively effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. Entities are required to apply the amendments retrospectively. The Jollibee Group is currently assessing the impact of the amendments on the consolidated financial statements.

Effective January 1, 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. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Jollibee Group plans to adopt the new standard on the required effective date, which is subject to changes arising from a more detailed ongoing analysis.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets but will have no impact on the classification and



measurement of the Jollibee Group's financial liabilities. The Jollibee Group, however, expects potential changes in its impairment model as an 'expected credit loss' model replaces the 'incurred credit losses' model under PAS 39.

The Jollibee Group is currently assessing the impact of adopting this standard and expects that the adoption of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets but will have no impact on the classification and measurement of the Jollibee Group's financial liabilities.

- PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

These amendments address three main areas:

- *The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.* The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.
- *The classification of a share-based payment transaction with net settlement features for withholding tax obligations.* This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfill this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.
- *The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.* The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss.
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in



its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Jollibee Group is currently assessing the impact of adopting this standard.

These amendments are effective for annual periods beginning on or after January 1, 2018 and entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. The Jollibee Group is currently assessing the impact of these amendments but is not expecting a significant impact on its financial condition and performance, given that it has no cash-settled share-based payments.

- *PFRS 4, Insurance Contracts - PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

Temporary exemption from PFRS 9. The optional temporary exemption from PFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply PAS 39, *Financial Instruments: Recognition and Measurement* while they defer the application of PFRS 9 until January 1, 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before PFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach. The overlay approach is an option for entities, which adopt PFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in PAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying PFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. These amendments will be effective for annual periods beginning on or after January 1, 2018. The Jollibee Group is currently assessing the impact of these amendments.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.



The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Jollibee Group plans to adopt the new standard on the required effective date. The Jollibee Group is currently assessing the impact of the new standard to the Jollibee Group's consolidated financial statements.

The following new standard issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Financial Reporting Standards Council

▪ IFRS 16, *Leases*

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Jollibee Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 16. The Jollibee Group does not expect material changes in accounting for leases wherein it is the lessor. For most leases though wherein it is the lessee, the Jollibee Group will be required to recognize both a right to use asset and a lease liability at gross amounts.

With Deferred Effective Date

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

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

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



These amendments are not expected to have a material impact to the Jollibee Group's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years ended December 31, 2016.

Control is achieved when the Jollibee Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

There is a general presumption that a majority of voting rights results in control. To support this presumption when the Jollibee Group has less than a majority of the voting or similar rights of an investee, the Jollibee Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Jollibee Group's voting rights and potential voting rights.

The Jollibee Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Jollibee Group obtains control over the subsidiary and ceases when the Jollibee Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Jollibee Group gains control until the date the Jollibee Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Jollibee Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Jollibee Group are eliminated in full on consolidation. The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

If the Jollibee Group loses control over a subsidiary, it:

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



Non-controlling interest represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

An increase or decrease in ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Jollibee Group's relative interests in the subsidiary. The Jollibee Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the equity holders of the Parent Company. These include acquisitions of non-controlling interests of Greenwich, Yong He King, Mang Inasal and HBFPL. In particular cases where the Jollibee Group acquires non-controlling interest in a subsidiary at a consideration in excess of its carrying amount, the excess is charged to the "Excess of cost over the carrying value of non-controlling interests acquired" account under equity. These increases or decreases in the ownership interest in a subsidiary do not result in the recognition of a gain or loss.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at December 31, 2016 and 2015:

	Country of Incorporation	Principal Activities	2016		2015	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods, Inc. (Fresh N' Famous)	Philippines	Food service	100	-	100	-
Chowking Food Corporation USA	United States of America (USA)	Holding company	-	100	-	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	100	-	100	-
Freemont Foods Corporation (Freemont)	Philippines	Food service	100	-	100	-
RRB Holdings, Inc. (RRBHI)	Philippines	Holding company	100	-	100	-
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	-	100	-	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	-	100	-	100
Mang Inasal Philippines Inc. (Mang Inasal) ^(a)	Philippines	Food service	100	-	70	-
Grandworth Resources Corporation (Grandworth)	Philippines	Leasing	100	-	100	-
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	-	100	-	100
IConnect Multi Media Network, Inc. (IConnect)	Philippines	Advertising	-	60	-	60
JC Properties & Ventures Co.	Philippines	Dormant	-	50	-	50
Honeybee Foods Corporation (HFC)	USA	Food service	100	-	100	-
Tokyo Teriyaki Corporation (TTC)	USA	Food service	-	100	-	100
Honeybee Foods (Canada) Corporation (HFCC) ^(b)	Canada	Food service	-	100	-	100
Jollibee Worldwide Pte. Ltd. (JWPL)	Singapore	Holding company	100	-	100	-
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	-	100	-	100
Golden Plate Pte., Ltd. (GPPL)	Singapore	Holding company	-	100	-	100
- Golden Beeworks Pte. Ltd.	Singapore	Food service	-	60	-	60
Golden Cup Pte. Ltd.	Singapore	Holding company	-	60	-	60
- Beijing Golden Coffee Cup Food & Beverage Management Co., Ltd.	PRC	Food Service	-	100	-	100
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	-	100	-	100
Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	-	100	-	100
Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Hangzhou Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Wuhan Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Tianjin Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Guangxi San Pin Wang Food and Beverage Management Company Limited (San Pin Wang) ^(c)	PRC	Food service	-	-	-	55
Happy Bee Foods Processing Pte. Ltd. (HBFPL) ^(d)	Singapore	Holding company	-	100	-	70
- Happy Bee Foods Processing (Anhui) Co. Ltd. ^(d)	PRC	Food service	-	100	-	100
JSF Investments Pte. Ltd. (JSF)	Singapore	Holding company	-	99	-	99
Chow Fun Holdings LLC (Chow Fun) ^(e)	USA	Food service	-	-	-	01
Jollibee (China) Food & Beverage Management Co. Ltd.	PRC	Management company	-	100	-	100
Jollibee International (BVI) Ltd. (JIBL)	BVI	Holding company	-	100	-	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	-	100	-	100
• Goldstar Food Trade and Service Company Ltd (GSC) ^(f)	Vietnam	Food service	-	100	-	-
- PT Chowking Indonesia	Indonesia	Food service	-	100	-	100
- PT Jollibee Indonesia	Indonesia	Dormant	-	100	-	100
- Jollibee (Hong Kong) Limited and Subsidiaries	Hong Kong	Dormant	-	05	-	85

(Forward)



	Country of Incorporation	Principal Activities	2016		2015	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
- Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	-	100	-	100
▪ Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	-	100	-	100
▪ Yong He Holdings Co., Ltd.	BVI	Holding company	-	100	-	100
▪ Centenary Ventures Ltd.	BVI	Holding company	-	100	-	100
Bee Good! Inc. (BGI)	USA	Holding company	-	100	-	100
Chanceux, Inc.	Philippines	Holding company	100	-	100	-
BKTitans, Inc. (BKTitans)	Philippines	Holding company	-	54	-	54
- PFN Holdings Corporation	Philippines	Holding company	-	53	-	53
▪ Perf Restaurants, Inc. (a)	Philippines	Food service	-	53	-	53
Donut Magic Phils., Inc. (Donut Magic) ^(b)	Philippines	Dormant	100	-	100	-
Ice Cream Copenhagen Phils., Inc. (ICCP) ^(b)	Philippines	Dormant	100	-	100	-
Mary's Foods Corporation (Mary's) ^(b)	Philippines	Dormant	100	-	100	-
QSR Builders, Inc.	Philippines	Dormant	100	-	100	-
Jollibee USA	USA	Dormant	100	-	100	-

(a) On April 22, 2016, the Parent Company acquired the remaining 30% stake in Mang Inasal.

(b) On May 7, 2015, the Jollibee Group, through HFC, incorporated HFCC to own and operate Jollibee restaurants in Canada.

(c) On December 30, 2016, the Jollibee Group, through JWPL completed the divestment of its shareholdings in San Pin Wang.

(d) On November 23, 2016, the Jollibee Group, through JWPL obtained government and regulatory approval for the transfer of assets in Anhui and completed the acquisition of shares in HBFPL to make its ownership 100%.

(e) On December 31, 2016, the Jollibee Group, through JWPL completed divestment of its shareholdings in Chowfun.

(f) On September 1, 2016, the Jollibee Group, through its wholly owned subsidiary, Jollibee Vietnam Company Ltd., acquired 100% equity of GSC.

(g) Perf Restaurants, Inc. also holds shares in PERF Trinoma and PERF MOA.

(h) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies. The application is pending approval from the SEC as at December 31, 2016.

3. Significant Accounting Policies

Current versus Noncurrent Classification

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

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

The Jollibee Group classifies all other assets as noncurrent.

A liability is classified as current when:

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

The Jollibee Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

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



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. Where the Jollibee Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible) and the cost approach (i.e., based on the amount required to replace the service capacity of an asset). The Jollibee Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Jollibee Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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 Jollibee Group's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Jollibee Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

Cash and Cash Equivalents

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



Short-term Investments

Short-term investments are deposits with original maturities of more than three months to one year from acquisition date.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, except for financial assets at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

The Jollibee Group has no financial assets classified under the held-to-maturity investments category.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Jollibee Group commits to purchase or sell the asset.

Financial Assets at 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 or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Jollibee Group has not designated any financial assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL.

This category generally applies to the Jollibee Group's derivative assets.

Loans and Receivables. This category is the most relevant to the Jollibee Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, except for short-term loans and receivables with no stated interest which are measured at undiscounted amounts less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss. The losses arising from impairment are recognized also in profit or loss.



This category generally applies to cash and cash equivalents, short-term investments, receivables, refundable deposits, operating lease receivables and employees' car plan receivables.

AFS Financial Assets. AFS financial assets include equity investments. Equity investments classified as AFS financial assets are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited directly in equity until the investment is derecognized, at which time, the cumulative gain or loss is recognized in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to profit or loss. Dividends earned while holding AFS financial assets is recognized in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

When the Jollibee Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Jollibee Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Jollibee Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Jollibee Group has retained.

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 Jollibee Group could be required to repay.

Impairment of Financial Assets

The Jollibee Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Jollibee Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If



the Jollibee Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Jollibee Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit and loss.

AFS Financial Assets. For AFS financial assets, the Jollibee Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from OCI and recognized in profit or loss. For unquoted equity investments that are not carried at fair value because such cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instruments, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Jollibee Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.



The Jollibee Group's financial liabilities include loans and borrowings and derivative financial instruments.

Subsequent measurement

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Jollibee Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied. The Jollibee Group has not designated any financial liability as at FVPL.

Loans and borrowings. This is the category most relevant to the Jollibee Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs, including debt issue costs for the Jollibee Group's debts that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of comprehensive income.

This category generally applies to trade payables and other current liabilities, short-term and long-term debts and liability for acquisition of businesses.

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

Offsetting of Financial Instruments

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



Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement. The Group uses derivative financial instruments, such as cross currency swaps and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment, or
- Hedges of a net investment in a foreign operation.

The Jollibee Group's cross currency swap and interest rate swap are cash flow hedges. The Jollibee Group has no fair value hedge and hedge of a net investment in a foreign operation as at December 31, 2016 and 2015.

At the inception of a hedge relationship, the Jollibee Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the statement of profit or loss.

The Jollibee Group has a cross currency swap to hedge its exposure to foreign currency risk in forecast transactions, as well as an interest rate swap for its exposure to volatility in interest rates. The ineffective portion relating to these swaps are recognized in profit or loss.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized or when a forecast sale occurs.



If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs are accounted for as follows:

Processed inventories	- Standard costing, which is reviewed on a quarterly basis and revised as necessary to approximate current costs determined using first in, first out (FIFO). Cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity.
Food supplies, packaging, store and other supplies, and novelty items	- Standard costing which is reviewed on a quarterly basis and revised as necessary to approximate current costs determined using FIFO.

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

Net realizable value of food supplies, packaging, store and other supplies is the current replacement cost. Food and other supplies are held for use in the production of processed inventories.

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

Other Current Assets

Other current assets include deposits which pertain to advance payments to suppliers to be applied for future purchases, prepaid expenses which are paid in advance and recorded as asset before these are utilized; and creditable withholding taxes, which will be applied in the following year against corporate income tax or be claimed for refund with the Bureau of Internal Revenue. Prepaid expenses are amortized over time and recognized as expense as the benefit is derived from the asset.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including import duties and nonrefundable taxes and any other costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property,



plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years
Plant, buildings, commercial condominium units and improvements	5–40 years
Leasehold rights and improvements	2–10 years or term of the lease, whichever is shorter
Office, store and food processing equipment	1–15 years
Furniture and fixtures	3–5 years
Transportation equipment	3–5 years

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

The residual values, if any, useful lives and depreciation and amortization method of the assets are reviewed and adjusted, if appropriate, at the end of each financial period.

Fully depreciated assets are retained in the accounts until they are disposed or retired.

Construction in progress represents assets under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for use.

Investment Properties

Investment properties consist of land and buildings and building improvements held by the Jollibee Group for capital appreciation and rental purposes. Investment properties, except land, are carried at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost less any impairment in value.

The depreciation of buildings and building improvements are calculated on a straight-line basis over the estimated useful lives of the assets which are five (5) to twenty (20) years.

The residual values, if any, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.



Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

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

Business Combinations

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Jollibee Group will be identified as the acquirer, (b) determination of the acquisition-date, (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

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

The cost of an acquisition is measured as the aggregate of the (a) consideration transferred by the Jollibee Group, measured at acquisition-date fair value, (b) amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of the Jollibee Group's previously held equity interest in the acquiree in a business combination achieved in stages. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

Initial Measurement of Non-controlling Interest. For each business combination, the Jollibee Group measures the non-controlling interest in the acquiree using the proportionate share of the acquiree's identifiable net assets.

Business Combination Achieved in Stages. In a business combination achieved in stages, the Jollibee Group remeasures its previously held equity interests in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Jollibee Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Jollibee Group receives the information it was seeking about facts and circumstances that existed as at the acquisition-date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

Contingent Consideration or Earn-out. Any contingent consideration or earn-out in relation to a business combination is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in profit or loss.

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Jollibee Group at cost being the excess of the total consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair



value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase. Before recognizing a gain on a bargain purchase, the Jollibee Group determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition-date, allocated to each of the Jollibee Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Jollibee Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Jollibee Group tests goodwill acquired in a business combination for impairment annually as at December 31 and more frequently when circumstances indicate that the carrying amount is impaired.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. In allocating the impairment loss, the Jollibee Group cannot reduce the carrying amount of an asset below the highest of its fair value less costs of disposal if measurable, its value in use if determinable and zero.

Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.



Amortization of computer software, trademarks and other intangible assets are calculated on a straight-line basis over the following estimated useful lives of the assets:

Computer software	10 years
Trademark	5 years
Other intangible assets	5 years

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

Interests in and Advances to Joint Ventures, Co-venturers and an Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Jollibee Group's investments in its associate and joint ventures are accounted for using the equity method based on the percentage share of ownership and capitalization. Interests in joint ventures are accounted for under the equity method from the date the joint control is obtained.

Under the equity method, the Jollibee Group's investments in joint ventures and an associate are carried in the consolidated statement of financial position at cost plus the Jollibee Group's share in post-acquisition changes in the net assets of an associate or joint ventures, less any impairment in value. Goodwill relating to the associate or joint ventures is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income includes the Jollibee Group's share in the financial performance of the associate or joint ventures. The Jollibee Group's share in profit or loss of the associate is shown on the face of the consolidated statement of comprehensive income as "Equity in net earnings of joint ventures and an associate-net", which is the profit or loss attributable to equity holders of the joint ventures and associate.

When the Jollibee Group's share of losses in the associate or joint ventures equals or exceeds its interest, including any other unsecured receivables, the Jollibee Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Jollibee Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the associate or joint ventures are eliminated to the extent of the Jollibee Group's interests in the associate or joint ventures against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the asset transferred.



The Jollibee Group ceases to use the equity method of accounting on the date from which it no longer has joint control in the joint ventures, no longer has significant influence over an associate, or when the interest becomes held for sale.

Upon loss of significant influence over the associate or joint control over the joint ventures, the Jollibee Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former associate or former jointly controlled entities upon loss of significant influence or joint control, and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining interest in the former jointly controlled entity constitutes significant influence, it is accounted for as interest in an associate.

Impairment of Nonfinancial Assets

The carrying values of interests in and advances to joint ventures, co-venturers and an associate, property, plant and equipment, investment properties, goodwill and other intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or 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 between knowledgeable, willing parties, less costs of disposal. 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 recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional paid-in capital is also credited for the cost of the Jollibee Group's equity settled share-based payments to its employees.

Subscriptions Receivable. Subscriptions receivable represents the unpaid balance of the subscription price for subscribed common stock of the Parent Company.



Retained Earnings. Retained earnings represent the Jollibee Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries and associates, which are not available for dividend declaration.

Dividends. The Jollibee Group recognizes a liability to make cash distribution to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Jollibee Group. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss. These include cumulative translation adjustments, gains or losses on derivatives designated as hedging instruments in an effective hedge, unrealized gains or losses on AFS financial assets, remeasurement gains or losses on pension and their income tax effects.

Treasury Shares. Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated statement of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common stock held in treasury account is credited for the cost of the treasury shares determined using the simple average method. Gain on sale is credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gain from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Jollibee Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, sales taxes and duties. The Jollibee Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Jollibee Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at net sales shown in the consolidated statement of comprehensive income.

Royalty Fees. Revenue from royalty fees is recognized as the royalty accrues based on a certain percentage of the franchisees' net sales in accordance with the franchise agreements.

Franchise Fees. Revenue from franchise fees is recognized when all services or conditions relating to the payment of franchise fees have been substantially performed.

Service Fees. Revenue is recognized in the period in which the service has been rendered.

Rent Income. Rent income from operating leases is recognized on a straight-line basis over the lease terms.



Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

Cost and Expenses

Cost and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized as incurred.

Advertising and promotions expenses include costs incurred for advertising schemes and promotional activities for new products. The amount of expenses incurred by the Jollibee Group is reduced by the network advertising and promotional costs reimbursed by the Jollibee Group's franchisees and subsidiaries.

Pension Benefits

The pension 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 assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Pension Expense comprises the following:

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

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

Net interest on the pension liability or asset is the change during the period in the liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability or asset. Net interest on the pension liability or asset is recognized under "Cost of Sales" and "General and Administrative expenses" in the consolidated statement of comprehensive income.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Jollibee Group, nor can they be paid directly to the Jollibee Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting



expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Jollibee Group also participates in various government-defined contribution schemes for the People's Republic of China (PRC)-based and USA-based subsidiaries. Under these schemes, pension benefits of existing and retired employees are guaranteed by the local pension benefit plan, and each subsidiary has no further obligations beyond the annual contribution.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. Jollibee Group recognizes undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period.

Share-based Payments

The Jollibee Group has stock option plans granting its management and employees an option to purchase a fixed number of shares of stock at a stated price during a specified period ("equity-settled transactions").

The cost of the options granted to the Jollibee Group's management and employees that becomes vested is recognized in profit or loss over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant management and employees become fully entitled to the award ("vesting date").

The fair value is determined using the Black-Scholes Option Pricing Model. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Jollibee Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the management and employees as measured at the date of modification.

Where a share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award.

Research Costs

Research costs are expensed as incurred.



Leases

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

Jollibee Group as Lessee. Leases which do not transfer to the Jollibee Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Contingent rent is recognized as expense in the period which they are incurred.

Jollibee Group as Lessor. Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the operating lease receivable and recognized over the lease term on the same basis as rent income. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

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

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Jollibee Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of subsidiaries domiciled and operating in the Philippines are also determined to be the Philippine Peso. Where the functional currency is the Philippine Peso, transactions in foreign currencies are recorded in Philippine Peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currencies of the Jollibee Group's foreign operations are US dollar (USD), PRC Renminbi (RMB), Indonesia rupiah, Vietnam dong, Singapore dollar and Hong Kong dollar. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while the income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in equity under the account "Cumulative translation adjustments of foreign subsidiaries and share in cumulative translation adjustment of an interest in a joint venture". On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss.



Taxes

Current Tax. Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity (not in the profit or loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interest in joint ventures and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interest in joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in another equity account.



Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill, as long as it does not exceed goodwill, if it was incurred during the measurement period or recognize in profit or loss.

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

Value Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of tax, except:

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

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

Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, adjusted for any potential common shares resulting from the assumed exercise of outstanding stock options. Outstanding stock options will have dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option.

Where the EPS effect of the shares to be issued to management and employees under the stock option plan would be anti-dilutive, the basic and diluted EPS would be stated at the same amount.

Contingencies

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

Business Segments

The Jollibee Group is organized and managed separately according to the nature of operations and geographical locations of businesses. The three major operating businesses of the Jollibee Group are food service, franchising and leasing while geographical segments are segregated to Philippine businesses and international businesses. These operating and geographical businesses are the basis upon which the Jollibee Group reports its primary segment information presented in Note 5.



Events after the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. The Jollibee Group believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on the Jollibee Group's consolidated financial statements.

Judgments

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

Functional Currency. Management has determined that the functional and presentation currency of the Parent Company and its Philippine-based subsidiaries is the Philippine peso, being the currency of the primary environment in which the Parent Company and its major subsidiaries operate. The functional currencies of its foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine peso which is the Parent Company's functional and presentation currency.

Operating Lease Commitments - Jollibee Group as Lessee. The Jollibee Group has entered into commercial property leases for its QSRs and offices as a lessee. Management has determined, based on an evaluation of the terms and condition of the arrangements that all the significant risks and benefits of ownership of these properties, which the Jollibee Group leases under various lease arrangements, remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱8,704.5 million, ₱7,841.9 million and ₱7,072.7 million in 2016, 2015 and 2014, respectively (see Notes 21, 22 and 29).

Operating Lease Commitments - Jollibee Group as Lessor. The Jollibee Group has entered into commercial property leases on its investment property portfolio and various sublease agreements. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that the Jollibee Group retains all the significant risks and benefits of ownership of the properties which are leased out. Accordingly, the leases are accounted for as operating leases.

Rent income amounted to ₱91.4 million, ₱92.4 million and ₱90.6 million in 2016, 2015 and 2014, respectively (see Notes 13, 20 and 29).

Assessing Joint Control of an Arrangement and the Type of Arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Jollibee Group assessed that it has joint control in all joint arrangements by virtue of a contractual



agreement with other stockholders. The Jollibee Group's joint ventures have separate legal entity and the shareholders have right to their net assets (see Note 11).

Material Partly-Owned Subsidiaries

The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Jollibee Group (see Note 11). Management determined material partly-owned subsidiaries as those with balance of non-controlling interest greater than 5% of total non-controlling interests and those subsidiaries which type of activities they engage in is important to the Jollibee Group as at end of the year.

Material Associates and Joint Ventures

The consolidated financial statements include additional information about associates and joint ventures that are material to the Jollibee Group (see Note 11). Management determined material associates as those associates where the Jollibee Group's carrying amount of investment is greater than 5% of the total investments in an associate and interest in joint ventures as at end of the year.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Jollibee Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to changes on market circumstances arising beyond the control of the Jollibee Group. Such changes are reflected in the assumptions when they occur.

Recoverability of Goodwill and Other Intangible Assets. The Jollibee Group determines whether goodwill and other intangible assets with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Jollibee Group to make an estimate of the expected long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) from the CGU and also consider market data in determining discount rate in order to calculate the present value of those cash flows.

Management has determined that goodwill and other intangible assets are not impaired. The carrying amount of goodwill and other intangible assets amounted to ₱9,086.7 million and ₱9,412.1 million as at December 31, 2016 and 2015, respectively (see Note 14).

Recoverability of Interests in and Advances to Joint Ventures, Co-venturers and Associates. The Jollibee Group performs impairment test of its interests in and advances to joint ventures, co-venturers and associates when there are facts and circumstances indicating that their carrying amounts exceed their recoverable amounts. Determining the recoverable amount of assets, which requires the determination of future cash flows expected to be generated from the continued operations of joint ventures and associates, requires the Jollibee Group to make significant assumptions that can materially affect the consolidated financial statements. These assumptions include long-term growth rates, EBITDA and discount rate. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial position and performance.

No impairment loss for interests in and advances to joint ventures, co-venturers and associates was recognized for the three years ended December 31, 2016. The carrying amount of interests in and



advances to joint ventures, co-venturers and associates amounted to ₱9,873.3 million and ₱8,449.3 million as at December 31, 2016 and 2015, respectively (see Note 11).

Realizability of Deferred Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that sufficient taxable profits are available to allow all or part of the deferred tax assets to be utilized. The Jollibee Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income. This forecast is based on future expectations on revenue and expenses as well as management's plans and strategies for the relevant entities.

The carrying amount of deferred tax assets amounted to ₱2,718.7 million and ₱2,275.2 million as at December 31, 2016 and 2015, respectively (see Note 24).

Provisions and Contingencies. The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Jollibee Group's legal counsels and based upon an analysis of potential results (see Note 17). The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to the litigations, claims and disputes will not materially affect the financial position and performance of the Jollibee Group.

Total outstanding provisions amounted to ₱30.5 million as at December 31, 2016 and 2015 (see Notes 17 and 29).

Recoverability of Property, Plant and Equipment and Investment Properties. The Jollibee Group performs impairment review of property, plant and equipment and investment properties when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Jollibee Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial position and performance.

Reversal of impairment loss amounted to ₱2.0 million, nil and ₱62.6 million in 2016, 2015 and 2014, respectively, while provision for impairment loss amounted to ₱42.7 million, nil and ₱2.0 million in 2016, 2015 and 2014, respectively (see Note 22).

The aggregate carrying values of property, plant and equipment and investment properties amounted to ₱17,639.0 million and ₱15,545.3 million as at December 31, 2016 and 2015, respectively (see Notes 12 and 13).

Impairment of Receivables. The Jollibee Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Jollibee Group's relationship with the customers and counterparties, average age of accounts and collection experience. The Jollibee Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is done quarterly and annually using a combination of specific and collective assessments. The amount and timing of recorded expenses for any period would differ if the Jollibee Group made different



judgments or utilized different methodologies. An increase in allowance account would increase general and administrative expenses and decrease current assets.

Provision for impairment loss on receivables in 2016, 2015 and 2014 amounted to ₱91.4 million, ₱325.9 million and ₱36.3 million, respectively, resulting from specific and collective assessments (see Note 22). In addition, reversal of previously recognized provisions amounting to ₱3.2 million, ₱4.6 million and ₱0.9 million were recognized in 2016, 2015 and 2014, respectively (see Note 22). The carrying amount of receivables amounted to ₱3,376.7 million and ₱5,432.8 million as at December 31, 2016 and 2015, respectively (see Note 7).

Net Realizable Value of Inventories. The Jollibee Group writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

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

The Jollibee Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱78.6 million, ₱11.0 million and ₱11.1 million in 2016, 2015 and 2014, respectively (see Note 22).

In addition, reversal of previously recognized provisions amounting to ₱18.1 million, ₱12.0 million and ₱8.5 million were recognized in 2016, 2015 and 2014, respectively (see Note 22). The carrying amount of inventories amounted to ₱5,987.3 million and ₱5,478.4 million as at December 31, 2016 and 2015, respectively (see Note 8).

Present Value of Defined Benefit Obligation. The pension expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and the future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Future salary increases are based on budgetary salary increases.

The carrying amount of pension liability amounted to ₱1,658.2 million and ₱1,466.5 million as at December 31, 2016 and 2015, respectively (see Note 25).

Share-based Payments. The Parent Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of



the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the Black-Scholes Option Pricing Model. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Parent Company.

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱241.3 million, ₱173.2 million and ₱166.5 million in 2016, 2015 and 2014, respectively (see Notes 22 and 26).

Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets with Definite Useful Lives. The Jollibee Group estimates the useful lives of property, plant and equipment, investment properties and intangible assets with definite useful lives based on the period over which the property, plant and equipment, investment properties and intangible assets are expected to be available for use and on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of the said assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amount and timing of recording the depreciation and amortization for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, investment properties and intangible assets would increase the recorded depreciation and amortization and decrease noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets in 2016 and 2015.

Derivative on Put / Call Rights on SJBF LLC. The Jollibee Group has a derivative arising from put/call rights on the controlling interest in SJBF LLC.

The derivative from put / call rights derive value from the fair value of SJBF LLC's equity, which considers forecasted cash flows from its operations and its cost of capital, and the price to exercise such put / call rights, which consider SJBF LLC's EBITDA near transaction date and exit multiples based on SJBF LLC's achievement of sales targets. Such derivative is valued using discounted cash flows model, which also takes into account assumptions on the volatility of the fair value of SJBF LLC's equity and discount rate to arrive at present value, among others. Changes in the assumptions mentioned above can result to change in the amount recognized as derivative and may result to either a derivative asset or liability as recognized in the consolidated statements of financial position.

As at December 31, 2016 and 2015, the Jollibee Group recognized a derivative asset amounting to ₱78.3 million and ₱75.0 million, respectively, from put / call rights (see Note 11).

Fair Value of Financial Assets and Liabilities. When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk,



credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of financial assets and liabilities are discussed in Note 31.

5. Segment Information

For management purposes, the Jollibee Group is organized into segments based on the nature of the products and services offered and geographical locations. The Executive Management Committee monitors the operating results of its segments separately for resource allocation and performance assessment. Segment results are evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Business Segments

The Jollibee Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

- The food service segment is involved in the operations of QSRs and the manufacture of food products to be sold to Jollibee Group-owned and franchised QSR outlets.
- The franchising segment is involved in the franchising of the Jollibee Group's QSR store concepts.
- The leasing segment leases store sites mainly to the Jollibee Group's independent franchisees.

The following tables present certain information on revenues, expenses, assets and liabilities and other segment information of the different business segments as at and for the years ended December 31, 2016, 2015 and 2014:

	2016				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues from external customers	P108,359,337	P5,268,921	P279,504	P-	P113,907,762
Inter-segment revenues	33,576,257	1,757,050	5,386,826	(40,720,133)	-
Segment revenues	141,935,594	7,025,971	5,666,330	(40,720,133)	113,907,762
Segment expenses	(140,665,045)	(1,757,050)	(5,551,305)	40,720,133	(107,253,267)
Impairment losses on receivables, inventories and property, plant and equipment, net of reversals	(189,449)	-	-	-	(189,449)
Equity in net losses of joint ventures and associates	(337,145)	-	-	-	(337,145)
Other segment income	1,576,667	-	6,256	-	1,582,923
Segment result	P2,320,622	P5,268,921	P121,281	P-	7,710,824
Interest income					286,914
Interest expense					(267,618)
Income before income tax					7,730,120
Provision for income tax					(1,676,611)
Net income					P6,053,509
Assets and Liabilities					
Segment assets	P69,760,739	P-	P382,119	P-	P70,142,858
Deferred tax assets - net	2,582,784	-	2,710	-	2,585,494
Consolidated assets	P72,343,523	P-	P384,829	P-	P72,728,352
Segment liabilities	P25,391,995	P-	P83,679	P-	P25,475,674
Deferred tax liabilities - net	506,577	-	-	-	506,577
Long-term debt - including current portion	12,155,366	-	-	-	12,155,366
Income tax payable	307,505	-	1,826	-	309,331
Consolidated liabilities	P28,355,343	P-	P85,505	P-	P28,440,848
Other Segment Information					
Capital expenditures	P6,717,839	P-	P-	P-	P6,717,839
Depreciation and amortization	3,990,980	-	4,888	-	3,995,868



	2015				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues from external customers	P96,052,830	P4,518,123	P208,764	P-	P100,779,717
Inter-segment revenues	31,188,088	1,493,169	4,284,181	(36,965,438)	-
Segment revenues	127,240,918	6,011,292	4,492,945	(36,965,438)	100,779,717
Segment expenses	(126,142,365)	(1,493,169)	(4,434,288)	36,965,438	(95,104,384)
Impairment losses on receivables and inventories, net of reversals	(320,303)	-	-	-	(320,303)
Equity in net losses of joint ventures and an associate	(189,086)	-	-	-	(189,086)
Other segment income	1,229,687	-	7,070	-	1,236,757
Segment result	P1,818,851	P4,518,123	P65,727	P-	6,402,701
Interest income					257,784
Interest expense					(225,544)
Income before income tax					6,434,941
Provision for income tax					(1,388,608)
Net income					P5,046,333
Assets and Liabilities					
Segment assets	P62,990,298	P-	P364,262	P-	P63,354,560
Deferred tax assets - net	1,401,800	-	6,688	-	1,408,488
Consolidated assets	P64,392,098	P-	P370,950	P-	P64,763,048
Segment liabilities	P22,968,364	P-	P83,486	P-	P23,051,850
Long-term debt - including current portion	9,718,629	-	-	-	9,718,629
Income tax payable	233,609	-	2,371	-	235,980
Consolidated liabilities	P32,920,602	P-	P85,857	P-	P33,006,459
Other Segment Information					
Capital expenditures	P4,696,767	P-	P-	P-	P4,696,767
Depreciation and amortization	3,431,249	-	4,428	-	3,435,677

	2014				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
	<i>(In Thousands)</i>				
Revenues from external customers	P86,508,256	P3,986,141	P176,841	P-	P90,671,238
Inter-segment revenues	27,496,871	766,560	3,680,420	(31,943,851)	-
Segment revenues	114,005,127	4,752,701	3,857,261	(31,943,851)	90,671,238
Segment expenses	(111,886,809)	(766,560)	(3,847,589)	31,943,851	(84,557,107)
Impairment losses on receivables, property, plant and equipment, investment properties and security deposit, net of reversals	22,637	-	-	-	22,637
Equity in net losses of joint ventures and an associate	(126,174)	-	-	-	(126,174)
Other segment income	653,783	-	5,521	-	659,304
Segment result	P2,668,564	P3,986,141	P15,193	P-	6,669,898
Interest income					242,045
Interest expense					(152,471)
Income before income tax					6,759,472
Provision for income tax					(1,270,530)
Net income					P5,488,942
Assets and Liabilities					
Segment assets	P52,993,539	P-	P373,176	P-	P53,366,715
Deferred tax assets - net	743,530	-	8,435	-	751,965
Consolidated assets	P53,737,069	P-	P381,611	P-	P54,118,680
Segment liabilities	P20,605,297	P-	P98,621	P-	P20,703,918
Deferred tax liabilities - net	11,378	-	-	-	11,378
Long-term debt - including current portion	5,143,533	-	-	-	5,143,533
Income tax payable	178,872	-	2,957	-	181,829
Consolidated liabilities	P25,939,080	P-	P101,578	P-	P26,040,658
Other Segment Information					
Capital expenditures	P5,641,696	P-	P-	P-	P5,641,696
Depreciation and amortization	3,179,208	-	7,172	-	3,186,380



Geographical Segments

The Jollibee Group's geographical segments are based on the location of the assets producing revenues in the Philippines and in other locations (which includes PRC, USA, UAE, Hongkong, Brunei, Saudi Arabia, Singapore, Kuwait, Qatar and Vietnam). Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

Majority of the Jollibee Group's revenues were generated from the Philippines, which is the Parent Company's country of domicile.

The Jollibee Group does not have a single external customer which revenue amounts to 10% or more of the Jollibee Group's revenues.

The following tables present segment revenues, segment assets and capital expenditures of the Jollibee Group's geographical segments:

2016				
	Philippines	International	Eliminations	Consolidated
	<i>(In Thousands)</i>			
Segment revenues	₱90,625,295	₱23,691,013	(₱408,546)	₱113,907,762
Segment assets	42,562,829	27,580,029	–	70,142,858
Capital expenditures	5,493,783	1,224,056	–	6,717,839

2015				
	Philippines	International	Eliminations	Consolidated
	<i>(In Thousands)</i>			
Segment revenues	₱78,421,700	₱22,675,693	(₱317,676)	₱100,779,717
Segment assets	39,026,027	24,328,533	–	63,354,560
Capital expenditures	3,547,641	1,149,126	–	4,696,767

2014				
	Philippines	International	Eliminations	Consolidated
	<i>(In Thousands)</i>			
Segment revenues	₱70,179,960	₱20,689,510	(₱198,232)	₱90,671,238
Segment assets	36,417,986	16,948,729	–	53,366,715
Capital expenditures	4,529,006	1,112,690	–	5,641,696

6. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	2016	2015
Cash on hand	₱295,715,476	₱292,751,687
Cash in banks	9,672,006,128	5,936,387,052
Short-term deposits	6,765,624,419	5,268,420,890
	₱16,733,346,023	₱11,497,559,629

Cash in banks earn interest at the respective savings or special demand deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Jollibee Group, and earn interest at the respective short-term deposit rates.



The Jollibee Group also has short-term investments amounting to ₱726.0 million and ₱922.3 million as at December 31, 2016 and 2015, respectively. These pertain to deposits with maturities of more than three months but less than a year.

Interest income earned from cash in bank and short-term investments amounted to ₱136.7 million, ₱118.0 million and ₱111.8 million for 2016, 2015 and 2014, respectively (see Note 23).

7. Receivables

This account consists of:

	2016	2015
Trade	₱3,608,582,738	₱5,575,193,914
Less allowance for impairment loss	579,791,502	520,055,036
	3,028,791,236	5,055,138,878
Advances to employees	112,651,874	154,670,011
Current portion of employee car plan receivables	83,382,577	67,461,983
Others	151,875,904	155,504,667
	₱3,376,701,591	₱5,432,775,539

Trade receivables are noninterest-bearing and are generally settled on 30-60 day terms.

Advances to employees, current portion of employee car plan receivables and other receivables are normally collectible within the next financial year. Other receivables consist of receivables from the retirement plan and the Social Security System (SSS) and insurance claims.

The movements in the allowance for impairment loss on trade receivables as at December 31 are as follows:

	2016	2015
Balance at beginning of year	₱520,055,036	₱208,940,071
Provisions (see Note 22)	91,414,715	325,907,626
Write-offs	(29,326,702)	(11,154,044)
Reversals (see Note 22)	(3,188,474)	(4,605,656)
Translation adjustments	836,927	967,039
Balance at end of year	₱579,791,502	₱520,055,036

The provisions in 2016 and 2015 resulted from specific impairment assessments performed by the Jollibee Group.



8. Inventories

This account consists of:

	2016	2015
At cost:		
Food supplies and processed inventories	₱5,458,185,534	₱5,222,435,586
Packaging, store and other supplies	461,630,160	183,664,631
	5,919,815,694	5,406,100,217
At net realizable value -		
Novelty items	67,530,530	72,316,092
Total inventories at lower of cost and net realizable value	₱5,987,346,224	₱5,478,416,309

The cost of novelty items carried at net realizable value amounted to ₱146.2 million and ₱90.5 million as at December 31, 2016 and 2015, respectively.

The movements in the allowance for inventory obsolescence as at December 31 are as follows:

	2016	2015
Balance at beginning of year	₱18,180,388	₱19,143,425
Provisions (see Note 22)	78,621,389	11,048,562
Reversals (see Note 22)	(18,129,447)	(12,047,290)
Translation adjustments	(24,809)	35,691
Balance at end of year	₱78,647,521	₱18,180,388

9. Other Current Assets

This account consists of:

	2016	2015
Deposits to suppliers and other third parties	₱1,278,972,009	₱2,221,639,595
Prepaid expenses:		
Taxes	1,019,537,891	743,623,466
Rent	625,560,014	589,550,139
Insurance and others	288,886,561	192,836,136
Receivable from sale of business (see Note 11)	214,836,000	—
Supplies	117,545,810	80,579,744
	₱3,545,338,285	₱3,828,229,080

Deposits to suppliers and other third parties are generally applied to purchase of inventories and availment of services within the next financial year.

Receivable from sale of business pertains to the current portion of receivables from Guangxi Zong Kai Food Beverage Investment Company Limited (GZK) as a result of the Jollibee Group's divestment in SPW (see Note 11).

Prepaid taxes mainly represent creditable withholding taxes that can be applied in the following year against the corporate income tax due or can be claimed as tax refund from the BIR. This also includes prepaid real property taxes which are expected to be utilized within the next twelve months. Supplies consist of various office and administrative supplies.



10. Available-for-Sale Financial Assets

This account consists mainly of shares in golf and leisure clubs amounting to ₱26.2 million and ₱21.5 million as at December 31, 2016 and 2015, respectively. The movement of ₱4.7 million pertains to the unrealized gain on changes in fair value of the AFS recognized by the Jollibee Group during the year.

11. Business Combinations, Incorporation of New Subsidiaries, Interests in and Advances to Joint Ventures, Co-venturers and Associates and Divestments

A. Business Combinations

Business Combination through Acquisition of Equity Shares

Acquisition in 2016

Goldstar Food Trade and Service Company Ltd (GSC). The Jollibee Group, through its wholly-owned subsidiary, Jollibee Vietnam Corporation Ltd., entered into a Capital Transfer Agreement to acquire 100% equity of GSC, a local Vietnamese company operating as miscellaneous food stores in Pho Tu, Vietnam. The capital transfer was for a cash consideration of USD0.2 million (₱8.6 million). The transfer was duly approved by the government of Vietnam in September 2016.

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

Cash and cash equivalents	₱121,958,912
Receivables	1,479,624
Inventories	15,885,866
Other current assets	80,446,958
Property, plant and equipment (see Note 12)	174,088,294
Other noncurrent assets	19,400,821
Total identifiable assets acquired	413,260,475
Less:	
Trade payables and other current liabilities	213,462,857
Short term loans	358,127,495
Total identifiable liabilities acquired	571,590,352
Net identifiable liabilities acquired	₱158,329,877

The amount of provisional goodwill recorded at acquisition date amounted to ₱166.9 million determined as follows:

Fair value of the consideration transferred:	
Cash consideration	₱8,601,131
Less acquisition – net of the fair value of liabilities acquired	158,329,877
Goodwill (see Note 14)	₱166,931,008
The net cash inflow from the acquisition is as follows:	
Cash acquired from subsidiary	₱121,958,912
Less cash paid on acquisition	8,601,131
Total	₱113,357,781



The goodwill of ₱166.9 million recognized arising from the acquisition of GSC consists largely of the synergies and economies of scale expected from combining the operations of GSC and the Jollibee Group.

From the acquisition date, GSC contributed a ₱15.9 million net income to the Jollibee Group. If the acquisition had taken place at the beginning of the year, revenues would have been ₱169.5 million and net income for the Jollibee Group would have been ₱49.2 million.

Business Combination through Purchase of Assets

Chowking US Operations. On May 27, 2011, the Jollibee Group, through its wholly-owned subsidiary, TTC, entered into an Asset Purchase Agreement with Fortune Capital Corporation (FCC), owner and operator of all Chowking stores in the USA as the master licensee therein, to purchase the property and equipment, inventories and security deposits of the twenty (20) existing stores of FCC. The purchase consideration amounted to USD16.0 million (₱693.3 million). The Jollibee Group paid USD12.0 million (₱520.0 million) of the total consideration as at December 31, 2011, balance is payable over the next five (5) years.

The balance of the liability for acquisition of Chowking US operations amounting to USD0.7 million (₱34.6 million) in 2015 was fully settled on May 27, 2016.

With this acquisition, the Jollibee Group took a more active role to further the growth of the Chowking business in the USA.

B. Incorporation of New Subsidiaries

Honeybee Foods (Canada) Corporation (HFCC). On May 7, 2015, the Jollibee Group, through HFC, incorporated HFCC to own and operate Jollibee restaurants in Canada. As at December 31, 2016, no capital investment has been made other than the investment to incorporate.

HFCC's first Jollibee store located in Winnipeg, Canada started its commercial operations on December 15, 2016.

Golden Cup Pte. Ltd. (Golden Cup). On December 19, 2014, the Jollibee Group, through JWPL, entered into a joint agreement to form Golden Cup together with Jasmine Asset Holding Ltd. (Jasmine), to own and operate Dunkin' Donuts restaurants in the PRC.

JWPL owns 60% of the business and Jasmine owns the other 40%. JWPL and Jasmine have committed to invest up to USD300.0 million to the Joint Venture, of which up to USD180.0 million will be contributed by JWPL in proportion to its ownership in the business. Golden Cup was incorporated on December 22, 2014. The first store started its commercial operations in February 2016.

As at December 31, 2016 capital contributions of the Jollibee Group to Golden Cup amounted to USD27.6 million (₱1,340.0 million).

Pursuant to the Master Franchise Agreement signed on January 5, 2015 between Dunkin Donuts Franchising LLC and Golden Cup, a market entry fee amounting to USD2.1 million (₱93.9 million) was paid by Golden Cup to Dunkin Donuts on the signing date (see Note 15).



C. Material Non-Controlling Interests

As at December 31, 2015, the Jollibee Group has subsidiaries with material non-controlling interests. Proportion of equity held by non-controlling interests in 2015 are as follows:

	Country of incorporation and operation	
Mang Inasal	Philippines	30%
HBFPPL	Singapore	30%
San Pin Wang	People's Republic of China	45%

During 2016, non-controlling interest were derecognized either by acquisition of the minority interest or by divestment of interests as set out below:

Mang Inasal

On April 22, 2016, the Parent Company acquired the remaining 30% minority stake in Mang Inasal for the purchase price of ₱2,000.0 million in a cash transaction. The acquisition resulted to Mang Inasal becoming a wholly owned subsidiary of the Parent Company.

The difference between the acquisition cost and the carrying value of the minority interest at the date of the acquisition, amounting to ₱1,217.6 million, was recognized under the "Excess of cost over the carrying value of non-controlling interests acquired", a separate component of "Equity Attributable to Equity Holders of the Parent Company" in the consolidated statements of financial position (see Note 19).

HBFPPL

On February 23, 2016, JWPL entered into an agreement with Hua Xia Harvest Holdings Pte. Ltd. ("Hua Xia") to acquire Hua Xia's 30% equity shareholding in its subsidiary, HBFPPL. Under the terms of the agreement, Hua Xia shall sell and convey to JWPL its 30% equity interests in HBFPPL while HBF-Anhui shall sell and convey to Hua Xia's nominee entity the assets and contracts related to the third party supply business.

The acquisition by JWPL was completed on November 21, 2016 with the approval of the China government on the transfer of assets related to the third party supply business. This resulted to a loss on transfer of assets amounting to ₱8.2 million which is recognized in the statements of comprehensive income (see Note 23). The transfer of the 30% equity was approved and registered in Singapore on November 22, 2016. With the transfer, JWPL now owns 100% of HBFPPL.

The purchase price was USD10.3 million (₱514.9 million). The difference between the acquisition cost and the carrying value of the minority interest at the date of the acquisition amounting to ₱391.8 million was recognized under the "Excess of cost over the carrying value of non-controlling interests acquired" (see Note 19).

San Pin Wang

See part E of this note for the discussion of the disposal of San Pin Wang.



The summarized financial information of these subsidiaries in 2015 are provided below. These information are based on amounts before intercompany eliminations.

Summarized Statement of Comprehensive Income for 2015

	Mang Inasal	HBFPPL	San Pin Wang
Revenues	₱7,263,114,848	₱1,702,402,983	₱1,229,334,894
Net income	453,297,379	73,410,582	56,672,330
Other comprehensive income	2,624,012	5,778,032	2,811,873
Total comprehensive income	455,921,391	79,188,614	59,484,203
Total comprehensive income attributable to non-controlling interests	133,084,903	22,023,175	25,502,548
Dividends paid to non-controlling interests	58,500,000	—	—

Summarized Statement of Financial Position as at December 31, 2015

	Mang Inasal	HBFPPL	San Pin Wang
Current assets	₱2,176,382,490	₱450,607,662	₱261,324,261
Noncurrent assets	442,100,692	933,937,095	125,731,328
Current liabilities	1,449,329,972	369,497,486	100,353,245
Noncurrent liabilities	167,163,686	465,894,000	16,209,497
Total equity	1,001,989,524	549,153,271	270,492,847
Equity attributable to non-controlling interests	729,268,757	137,965,112	120,669,456

Summarized Cash Flow Information for 2015

	Mang Inasal	HBFPPL	San Pin Wang
Net cash provided by operating activities	₱876,412,572	₱215,266,710	₱18,527,573
Net cash provided by (used in) investing activities	(130,216,558)	(194,468,160)	3,265,718
Net cash used in financing activities	(195,000,000)	—	—
Net increase in cash and cash equivalents	551,196,014	20,798,550	21,793,291

D. Interests in and Advances to Joint Ventures, Co-venturers and Associates

	2016	2015
Interests in and advances to SuperFoods joint ventures and co-venturers	₱4,010,889,650	₱3,345,553,021
Interests in joint ventures:		
SJBF LLC	5,258,923,240	4,742,732,683
Cargill Joy Poultry	229,480,845	—
WJ	151,628,957	220,809,356
Golden Bee	100,162,933	47,943,083
	5,740,195,975	5,011,485,122
Interests in associates :		
Entrek	112,227,074	92,272,121
Cargill Joy Realty	9,984,009	—
	122,211,083	92,272,121
	₱9,873,296,708	₱8,449,310,264



Interests in Joint Ventures

SuperFoods Group. On January 20, 2012, upon fulfillment of certain legal and regulatory requirements in Vietnam, the Jollibee Group, through JWPL, acquired effective ownership of 50% share in the business of the SuperFoods Group (includes SF Vung Tau Joint Stock Company, Highlands Coffee Service JSC, Quantum Corp., Pho24 Corp., Blue Sky Holding Limited Hongkong, Sino Ocean Asia Limited Hongkong, Blue Sky Holdings Limited Macau, and China Co.) through formation of joint ventures. This consists of a 49% share in SF Vung Tau Joint Stock Company (SFVT) in Vietnam and a 60% share in Blue Sky Holding Limited in Hongkong (the SuperFoods Holding Companies). The formation of joint ventures is an implementation of the Framework Agreement made on May 20, 2011 between the Jollibee Group, through JSF, a 99% subsidiary of JWPL, and its co-venturers, Viet Thai International Joint Stock Company (VTIJS) and Viet Thai International Company Limited (VTI). The SuperFoods Group operates the chain of Highlands Coffee shops, Pho 24 restaurants and Hard Rock Cafe stores, whose market is mostly in Vietnam, Hong Kong and Macau. The Framework Agreement provided for the Jollibee Group to contribute a total of USD25.0 million to gain 50% effective ownership in the joint ventures. Loans and deposits were made to the SuperFoods Group and the co-venturers prior to the formation of the joint ventures in 2012.

Pursuant to the Framework Agreement, the preliminary consideration for the 50% share in SuperFoods Group amounted to a cash payment of USD25.0 million in 2011.

On October 22, 2015, JSF contributed additional investment in SuperFoods amounting to USD0.7 million (P34.1 million).

The Supplemental Agreement further provides that JWPL shall be required to pay the co-venturers an additional amount in 2016 based upon achieving a positive amount determined in accordance with a formula contained in the agreement (earn-out formula). Based on management's assessment using the earn-out formula, no additional consideration needs to be recognized as at January 20, 2012, date of acquisition, and as at December 31, 2012 to 2016.

In accordance with the Framework Agreement, the Jollibee Group, through JSF, extended loans to SuperFoods Group. First and Second Supplements to the Loan Agreement were executed that basically extended the loan due dates.

On November 18, 2016, the Jollibee Group, through JSF, entered into an agreement with its co-venturers, VTIJS, to make SuperFoods Group a public company by listing in the Vietnam Stock Exchange with an Initial Public Offering (IPO) on or before July 2019. As part of the agreement, the ownership of the SuperFoods Group will be adjusted with the Jollibee Group, owning 60% of the joint venture and VTI owning 40%. With this agreement, the following loan structures were amended, as documented in the Third Supplement to the Loan Agreement signed on December 29, 2016.

Loans to Co-venturers

Loan to the co-venturers in the SuperFoods Group joint venture amounting to USD35.0 million (P1,523.9 million), extended on June 30, 2011, is payable in December 2016.

The loan bears interest of 5% per annum payable in lump sum also in December 2016. The loan was agreed to be used for general corporate purposes. Total interest from this loan, recognized as interest income, amounted to USD1.8 million (P88.5 million), USD1.8 million (P88.2 million) and USD1.8 million (P88.2 million) for the years ended December 31, 2016, 2015 and 2014, respectively. The USD35.0 million loan is secured by a mortgage by the co-venturers of all their shares in SuperFoods Holding Companies.



The Third Supplement to the Loan Agreement signed on December 29, 2016 provides the assignment of the USD35.0 million loan receivable including accrued interests as at December 31, 2016 from JSF to JWPL. Subject to the completion of the Settlement Transaction Documents on or before September 30, 2017, this loan shall be contributed as additional capital to the SuperFoods Group.

On April 30, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (P41.2 million) payable in February 2014 but was extended to September 30, 2017. The loan bears interest of 5% per annum. With the extension to September 30, 2017, the sum of principal and the accumulated interest as of April 2013, were subjected to 4.99% interest per annum. The loan was agreed to be used for general corporate purposes. Total interest from this loan recognized as interest income amounted to USD0.06 million (P2.8 million), USD0.05 million (P2.7 million) and USD0.05 million (P2.6 million) for the years ended December 31, 2016, 2015 and 2014, respectively.

On August 22, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (P44.1 million) payable in August 2014 but was extended to September 30, 2017. As of August 21, 2014, the principal was subject to 5% interest per annum. However, with the extension to September 30, 2017, the sum of principal and the accumulated interest starting August 22, 2014 were subjected to 4.99% interest per annum. The loan was agreed to be used for general corporate purposes. Total interest from this loan amounted to USD0.06 million (P2.8 million), USD0.05 million (P2.7 million) and USD0.05 million (P2.5 million) for the years ended December 31, 2016, 2015 and 2014, respectively.

The loans granted on April 30, 2013 and August 22, 2013 including accrued interests as of December 2016 will be converted to additional equity on SFVT subject to the completion of the Settlement Transaction Documents as provided in the Third Supplement to the Loan Agreement signed on December 29, 2016.

Loans to Blue Sky

On June 10, 2011, a loan was extended to Blue Sky Holdings Limited (Blue Sky), the Hong Kong-based holding company, amounting to USD5.0 million (P216.0 million) payable in June 2014. As of June 2014, the principal was subject to 5% interest per annum. However, with the extension of the due date to September 30, 2017, the sum of principal and the accumulated interest as of June 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.3 million (P15.4 million), USD0.3 million (P14.7 million) and USD0.3 million (P13.2 million) for the years ended December 31, 2016, 2015 and 2014, respectively.

On May 7, 2012, an additional loan was extended to Blue Sky amounting to USD2.5 million (P105.9 million) payable in May 2014. As of May 9, 2014, the principal was subjected to 5% interest per annum. However, with the extension of the due date to September 30, 2017, the sum of principal and the accumulated interest starting May 10, 2014 were subjected to 4.99% interest per annum. Total interest from this loan amounted to USD0.1 million (P7.4 million), USD0.1 million (P7.0 million) and USD0.1 million (P6.5 million) for the years ended December 31, 2016, 2015 and 2014, respectively.

With the Third Supplement to the Loan Agreement signed on December 29, 2016, the loans to Blue Sky including accrued interests as at December 2016 shall be converted into additional equity subject to the completion of the Settlement Transaction Documents in the said Agreement.

The conversion of the loans and related accrued interests into equity is part of the Agreement entered into by the Jollibee Group with VTI in adjusting the ownership of SuperFoods Group.



On December 14, 2016, an additional loan of USD9.0 million (P447.5 million) was granted by JSF to VTIJS. The amount is part of the total agreed loan of USD30 million payable in eight (8) years with an interest rate of 3.5% per annum. The loan is secured by pledged shares in SFVT and Blue Sky which will be released in proportion to the amount of the principal paid.

The carrying value of the loans to co-venturers and Blue Sky, including the accrued interest, amounted to P3,257.4 million and P2,548.2 million as at December 31, 2016 and 2015, respectively.

The details of the Jollibee Group's interests in the SuperFoods joint venture and advances to co-venturers as at December 31, 2016 and 2015 are as follows:

	2016	2015
Interest in a joint venture – cost:		
Balance at beginning of year	P1,120,658,822	P1,086,562,975
Additions during the year	–	34,095,847
Balance at end of year	1,120,658,822	1,120,658,822
Cumulative equity in net losses:		
Balance at beginning of year	(323,330,934)	(259,539,871)
Equity in net loss for the year	(43,823,882)	(63,791,063)
Balance at end of year	(367,154,816)	(323,330,934)
	753,504,006	797,327,888
Advances to the joint ventures and co-venturers:		
Balance at beginning of year	2,548,225,133	2,317,832,742
Additions during the year	447,480,000	–
Accrual of interest	117,640,967	109,110,458
Translation adjustments	144,039,544	121,281,933
Balance at end of year	3,257,385,644	2,548,225,133
	P4,010,889,650	P3,345,553,021

Summarized financial information of the SuperFoods Group based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2016	2015
Current assets	P564,801,225	P500,473,793
Noncurrent assets	1,244,238,772	1,196,430,982
Total assets	P1,809,039,997	P1,696,904,775
Current liabilities	P772,840,118	P576,963,970
Noncurrent liabilities	1,032,085,304	1,007,931,851
Total liabilities	P1,804,925,422	P1,584,895,821

	2016	2015
Cash and cash equivalents	P69,879,945	P97,215,799
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	–	–
Noncurrent financial liabilities (excluding provisions)	1,032,085,304	1,007,931,851



The amounts of the income and expense accounts include the following:

	2016	2015
Revenues	₱3,213,339,413	₱2,299,834,784
Depreciation and amortization	201,970,888	128,394,217
Interest income	5,506	13,652
Interest expense	74,644,863	56,206,489
Provision for income tax	38,726,813	14,796,812
Net loss	(87,647,764)	(127,582,126)
Total comprehensive loss	(87,647,764)	(127,582,126)

	2016	2015
Net assets	₱4,114,575	₱112,008,954
Proportion of the Jollibee Group's ownership	50%	50%
	2,057,288	56,004,477
Goodwill	708,890,600	708,890,600
Cumulative translation adjustments	42,556,118	32,432,811
	₱753,504,006	₱797,327,888

SJBF LLC (SJBF). On October 8, 2015, the Jollibee Group, through JWPL, incorporated Bee Good! Inc. (BGI) in the state of Delaware, USA.

On October 13, 2015, BGI entered into an agreement with Smashburger Master LLC (Master) to acquire 40% of the outstanding equity interest of SJBF, the parent company of the entities comprising the Smashburger business, a fast casual better burger restaurant business based in the United States.

The consideration for BGI's 40% stake in SJBF amounted to USD99.5 million (₱4,629.5 million). Thereafter, a post-closing adjustment of USD0.8 million (₱36.6 million) to the purchase price at the closing date was recognized based on a pre-agreed mechanism with Master. The Jollibee Group settled with Master USD99.5 million (₱4,629.5 million) of the transaction price in December 2015. The remaining USD0.8 million (₱36.6 million) was carried as part of the "Current portion of liability for acquisition of business" account in the 2015 consolidated statement of financial position and was settled in January 2016. In addition, acquisition related costs consisting of professional fees for the Jollibee Group's financial, tax, accounting and legal advisors for the transaction amounted to ₱221.8 million.

In February 2016, September 2016 and November 2016, BGI made additional investments to SJBF amounting to USD4.0 million (₱189.0 million), USD4.6 million (₱221.4 million) and USD8.0 million (₱397.8 million), respectively. These additional contributions did not change BGI's equity interest in SJBF.

The agreement between BGI and Master provides for a mechanism wherein Master can sell or BGI can purchase up to an additional 35% equity interest in SJBF (First Put/ Call Right) between January 1, 2018 and January 1, 2021, and up to an additional 25% equity interest from the closing date or after expiration of the First Put/ Call Right and five years thereafter (Second Put/Call Right). The purchase price of the remaining 60% will be based on the achievement of certain financial performance targets agreed between BGI and Master.

However, on March 14, 2017, BGI and Master have amended their original agreement to enable BGI to purchase more shares in SJBF. With the amendment, BGI shall be entitled to purchase from Master an additional 45% of SJBF shares between the years 2018 and 2021, and to acquire the balance of 15% between 2019 at the earliest and 2026 at the latest.



As a result of the first and second Put / Call Rights in the agreement, the Jollibee Group allocated ₱75.0 million of the purchase price to a derivative asset in 2015, representing the fair value of the First and Second Put / Call Rights on transaction date. As at December 31, 2016, the derivative asset related to Put / Call Rights amounted to ₱78.3 million. The marked-to-market gain of ₱3.3 million was recognized in the 2016 statement of comprehensive income.

The details of Jollibee Group's interest in SJBF as at December 31, 2016 and 2015 are as follows:

	2016	2015
Interest in a joint venture - cost:		
Balance at beginning of year	₱4,812,854,343	₱-
Additions during the year	807,980,000	4,812,854,343
Balance at end of year	5,620,834,343	4,812,854,343
Cumulative equity in net losses:		
Balance at beginning of year	(70,121,660)	-
Equity in net loss during the year	(291,789,443)	(70,121,660)
Balance at end of year	(361,911,103)	(70,121,660)
	₱5,258,923,240	₱4,742,732,683

Summarized financial information of SJBF based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2016	2015
Current assets	₱1,910,435,363	₱1,489,289,278
Noncurrent assets	5,886,846,459	4,698,052,225
Total assets	₱7,797,281,822	₱6,187,341,503
Current liabilities	₱1,287,257,860	₱2,549,999,466
Noncurrent liabilities	5,439,780,179	3,898,129,921
Total liabilities	₱6,727,038,039	₱6,448,129,387

The amounts of assets and liabilities above include the following:

	2016	2015
Cash and cash equivalents	₱1,338,834,156	₱586,506,568
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	-	-
Noncurrent financial liabilities (excluding provisions)	4,217,929,327	3,791,307,722

The amounts of the income and expense accounts include the following:

	2016	2015
Revenues	₱10,318,671,167	₱1,590,616,719
Depreciation and amortization	576,810,539	85,023,451
Interest expense	332,618,171	45,587,810
Net loss attributable to SJBF LLC	(729,473,608)	(175,304,150)
Total comprehensive loss attributable to SJBF LLC	(729,473,608)	(175,304,150)



	2016	2015
Net assets	₱1,070,243,783	(₱260,787,884)
Proportion of the Jollibee Group's ownership	40%	40%
	428,097,513	(104,315,154)
Goodwill	4,837,671,526	4,837,671,526
Cumulative translation adjustments	(6,845,799)	9,376,311
	₱5,258,923,240	₱4,742,732,683

Cargill Joy Poultry Meats Productions, Inc. (Cargill Joy Poultry). On May 24, 2016, the Parent Company entered into an agreement with Cargill Philippines, Inc., a wholly owned subsidiary of Cargill, Inc. (Cargill), to establish a joint venture entity to build and operate a poultry processing plant in Sto. Tomas, Batangas, Philippines. Cargill will oversee the setting up, management and operations of this facility.

The joint venture entity, incorporated as Cargill Joy Poultry Meats Production, Inc., is 70% owned by Cargill and 30% owned by the Parent Company. This entity will create an estimated 1,000 new full time jobs and develop new opportunities in the farming community in Batangas and nearby provinces as local poultry farmers are contracted to grow chicken to supply the requirements of the processing plant. The poultry processing plant has not yet started commercial operations as at December 31, 2016.

The details of Jollibee Group's interest in Cargill Joy Poultry as at December 31, 2016 are as follows:

Investment during the year	₱233,405,700
Equity in net loss during the year	(3,924,855)
	₱229,480,845

Summarized financial information of the Cargill Joy Poultry based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements as at December 31, 2016 are set out below:

Current assets	₱769,607,670
Noncurrent assets	—
Total assets	₱769,607,670
Current liabilities	₱4,671,520
Noncurrent liabilities	—
Total liabilities	₱4,671,520

The amounts of assets and liabilities as at December 31, 2016 include the following:

Cash and cash equivalents	₱631,739,034
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	1,104,589
Noncurrent financial liabilities (excluding provisions)	—



The amounts of the income and expense accounts as at December 31, 2016 include the following:

Interest income	₱8,643
Net loss	(13,082,850)
Total comprehensive loss	(13,082,850)
Net assets	₱764,936,150
Proportion of the Jollibee Group's ownership	30%
	<u>₱229,480,845</u>

WJ Investments Limited (WJ). On August 22, 2012, the Jollibee Group, through JWPL and GPPL, entered into an agreement with Hoppime Ltd., a subsidiary of Wowprime Corporation of Taiwan (Wowprime) and some key executives of Wowprime, to establish a joint venture entity to own and operate the 12 Hotpot brand in the People's Republic of China, Hong Kong and Macau. The "12 Hotpot" restaurant is known in Taiwan for its low-priced hotpot dishes.

The joint venture entity, incorporated as WJ Investments Limited (WJ), is 48%-owned by the Jollibee Group and 48%-owned by Wowprime's subsidiary and executives. The remaining 4% is owned by certain individuals with experience in the retail sector in China. Through their subsidiaries, Jollibee and Wowprime have joint control and management of WJ.

As at December 31, 2016, capital contributions of the Jollibee Group to WJ amounted to USD9.6 million (₱414.9 million). The first store started commercial operations in January 2013.

The details of Jollibee Group's interest in WJ as at December 31, 2016 and 2015 are as follows:

	2016	2015
Interest in a joint venture - cost:		
Balance at beginning of year	₱414,872,115	₱276,646,875
Additions during the year	—	138,225,240
Balance at end of year	<u>414,872,115</u>	<u>414,872,115</u>
Cumulative equity in net losses:		
Balance at beginning of year	(194,062,759)	(111,307,493)
Equity in net loss during the year	(69,180,399)	(82,755,266)
Balance at end of year	<u>(263,243,158)</u>	<u>(194,062,759)</u>
	<u>₱151,628,957</u>	<u>₱220,809,356</u>

Summarized financial information of WJ based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2016	2015
Current assets	₱282,556,559	₱360,433,195
Noncurrent assets	107,871,674	181,127,783
Total assets	<u>₱390,428,233</u>	<u>₱541,560,978</u>
Current liabilities	<u>₱54,591,958</u>	<u>₱52,611,918</u>



The amounts of assets and liabilities above include the following:

	2016	2015
Cash and cash equivalents	₱238,078,754	₱299,488,233
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	—

The amounts of the income and expense accounts include the following:

	2016	2015
Revenues	₱411,844,178	₱441,197,402
Depreciation and amortization	43,267,736	46,811,259
Interest income - net	6,673,472	3,308,549
Net loss	(144,125,832)	(172,406,804)
Total comprehensive loss	(144,125,832)	(172,406,804)

	2016	2015
Net assets	₱335,836,275	₱488,949,060
Proportion of the Jollibee Group's ownership	48%	48%
	161,201,412	234,695,549
Cumulative translation adjustments	(9,572,455)	(13,886,193)
	₱151,628,957	₱220,809,356

Golden Bee Foods Restaurants LLC (Golden Bee). On February 25, 2014, the Jollibee Group, through GPPL, signed a joint agreement with Golden Crown Foods LLC (GCFL) to establish a joint venture entity to own and operate the Jollibee brand in the United Arab Emirates.

The joint venture entity, incorporated as Golden Bee on January 28, 2015, is 49% owned by GPPL and 51% owned by GCFL. GPPL and GCFL will share joint control and management of Golden Bee.

As at December 31, 2016, the Jollibee Group has invested USD0.8 million (₱33.9 million) in Golden Bee. The first store started commercial operations on May 4, 2015.

The details of the Jollibee Group's interest in the Golden Bee joint venture as at December 31, 2016 and 2015 are as follows:

	2016	2015
Interest in a joint venture - cost	₱33,925,803	₱33,925,803
Cumulative equity in net earnings:		
Balance at beginning of year	14,017,280	—
Equity in net earnings during the year	52,219,850	14,017,280
Balance at end of year	66,237,130	14,017,280
	₱100,162,933	₱47,943,083



Summarized financial information of Golden Bee based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2016	2015
Current assets	₱92,129,410	₱98,590,566
Noncurrent assets	209,805,749	44,005,319
Total assets	₱301,935,159	₱142,595,885
Current liabilities	₱96,605,703	₱53,735,001

The amounts of assets and liabilities above include the following:

	2016	2015
Cash and cash equivalents	₱30,527,006	₱52,451,311
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	—

The amounts of the income and expense accounts include the following:

	2016	2015
Revenues	₱689,149,604	₱203,010,467
Depreciation and amortization	14,651,758	2,530,556
Net income	106,571,122	28,606,695
Total comprehensive income	106,571,122	28,606,695
Net assets	₱205,329,456	₱88,860,884
Proportion of the Jollibee Group's ownership	49%	49%
	100,611,433	43,541,833
Cumulative translation adjustments	(448,500)	4,401,250
	₱100,162,933	₱47,943,083

Interest in Associates

Entrek (B) SDN BHD (Entrek). The Jollibee Group, through JIBL, has 1/3 or 33.3% ownership in Entrek, a company that operates Jollibee stores in Brunei.

The details of the Jollibee Group's interest in Entrek as at December 31, 2016 and 2015 are as follows:

	2016	2015
Interest in associates - cost	₱16,660,000	₱16,660,000
Cumulative equity in net earnings:		
Balance at beginning of year	75,612,121	62,047,378
Equity in net earnings during the year	19,954,953	13,564,743
Balance at end of year	95,567,074	75,612,121
	₱112,227,074	₱92,272,121



Summarized financial information of Entrek based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	2016	2015
Current assets	P523,344,508	P474,524,666
Noncurrent assets	141,508,795	92,958,117
Total assets	P664,853,303	P567,482,783
Current liabilities	P270,198,774	P244,262,858
Noncurrent liabilities	4,505,122	4,356,052
Total liabilities	P274,703,896	P248,618,910

The amounts of the income and expense accounts include the following:

	2016	2015
Revenues	P629,123,044	P507,255,229
Depreciation	32,176,906	21,016,062
Total comprehensive income	59,864,860	40,694,227
Net assets	P390,149,407	P318,863,873
Proportion of the Jollibee Group's ownership	33.33%	33.33%
	130,049,802	106,287,958
Impairment loss recognized in 2011	(16,660,000)	(16,660,000)
Cumulative translation adjustments	(1,162,728)	2,644,163
	P112,227,074	P92,272,121

Cargill Joy Poultry Realty, Inc. (Cargill Joy Realty). On May 24, 2016, the Parent Company entered into an agreement with Cargill Philippines to establish Cargill Joy Poultry Realty Inc., which will lease the land where the Cargill Joy Poultry plant will be located.

The details of the Jollibee Group's interest in Cargill Joy Realty as at December 31, 2016 are as follows:

Interest in associates - cost	P10,585,500
Equity in net earnings during the year	(601,491)
	P9,984,009

Summarized financial information of Cargill Joy Realty based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements as at December 31, 2016 are set out below:

Current assets	P25,724,122
Noncurrent assets	61,439,875
Total assets	P87,163,997
Current liabilities	P18,337,915
Noncurrent liabilities	35,546,052
Total liabilities	P53,883,967



The amounts of assets and liabilities as at December 31, 2016 are the following:

	2016
Cash and cash equivalents	₱25,547,702
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	2,400
Noncurrent financial liabilities	35,546,052

The amounts of the income and expense accounts include the following:

Revenues	₱-
Taxes and licenses	1,358,462
Interest expense	350,239
Net loss	(2,004,970)
Total comprehensive loss	(2,004,970)
Net assets	₱33,280,030
Proportion of the Jollibee Group's ownership	30%
	9,984,009

E. Divestments

San Pin Wang. On March 9, 2012, the Jollibee Group, through JWPL, completed its acquisition of 55% equity interest of Guangxi San Pin Wang Food and Beverage Management Company Limited ("San Pin Wang") which operates the San Pin Wang beef noodle business in South China. The other 45% of San Pin Wang is held by GZK.

A contingent consideration had been agreed as part of the purchase agreement with GZK. This consideration is contingent on meeting target net income after tax of San Pin Wang for the next three years. In May 2013, the Jollibee Group paid RMB7.5 million (₱50.1 million) as the contingent consideration for the year 2012. In May 2015, another payment was made amounting to RMB6.8 million (₱50.1 million) as the contingent consideration for the year 2014. The remaining final contingent consideration for the year 2015 amounting to RMB3.3 million (₱23.6 million) was fully settled on May 13, 2016.

On December 30, 2016, JWPL, divested its shareholdings in San Pin Wang making GZK the 100% registered owner of San Pin Wang. This resulted to a gain on sale of ₱158.9 million which is recognized in the statements of comprehensive income (see Note 23). The divestment is part of the Jollibee Group's intention to focus on building its Yonghe King business, its largest business in China.

The consideration for the 55% stake of JWPL of about RMB90.0 million (₱644.5 million) is payable in five tranches, as follows:

Tranche	Date	Amount
1	December 19, 2016	RMB25,000,000
2	December 28, 2016	25,000,000
3	January 20, 2017	20,000,000
4	October 30, 2017	10,000,000
5	October 30, 2018	10,000,000
		RMB90,000,000



The first tranche was collected on December 31, 2016. The second and third tranches were collected in January 2017. The second to fourth tranches are shown as part of "Other current assets" and the fifth tranche is included as part of "Other noncurrent assets" in the consolidated statements of financial position as at December 31, 2016 (see Notes 9 and 15).

ChowFun. On March 31, 2011, the Jollibee Group, through its wholly-owned subsidiary, JWPL, acquired from Aspen Partners, LLC 2,400 shares of Chow Fun Holdings, LLC ("Chowfun") for USD3.4 million (PHP139.6 million), bringing its equity share to Chow Fun to 80.55%. Chow Fun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA.

On December 31, 2016, the Jollibee Group divested its shareholdings in Chow Fun for a consideration of USD1.6 million (P79.6 million). The divestment was completed on December 23, 2016. Chow Fun paid JWPL to redeem JWPL's 2,900 Class A Membership Units, equivalent to 80.55% equity shares. This resulted to a loss on sale of P84.0 million which is recognized in the statements of comprehensive income (see Note 23). The divestment is part of Jollibee Group's intention to concentrate its resources in building its larger businesses.

12. Property, Plant and Equipment

The rollforward analysis of property, plant and equipment are as follows:

2016								
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
(In Thousands)								
Cost								
Balance at beginning of year	P669,735	P2,873,961	P14,912,782	P13,759,957	P1,123,037	P542,761	P1,267,898	P35,150,131
Additions	-	5,642	1,174,705	1,398,054	137,559	87,482	3,890,691	6,694,133
Acquisition of subsidiary (see Note 11)	-	-	134,860	92,924	1,820	-	46	229,650
Divestments	-	(253,293)	(278,354)	(357,315)	(65,829)	(7,114)	(2,728)	(964,633)
Retirements and disposals	-	(400)	(1,243,336)	(890,892)	(129,080)	(14,565)	(104,532)	(2,382,805)
Reclassifications (see Note 13)	-	124,376	2,481,801	1,488,539	150,393	3,155	(4,151,214)	17,058
Translation adjustments	3,515	(6,992)	74,624	38,159	12,995	(71)	2,296	124,526
Balance at end of year	673,250	2,743,294	17,177,082	15,529,426	1,230,895	611,648	902,457	38,868,052
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,528	1,157,960	9,138,113	9,206,534	750,596	340,248	-	20,600,979
Depreciation and amortization (see Notes 21 and 22)	36	81,479	1,729,314	1,848,220	177,586	70,984	-	3,907,619
Acquisition of subsidiary (see Note 11)	-	-	23,372	32,190	-	-	-	55,562
Divestments	-	(9,721)	(123,369)	(288,583)	(7,076)	(3,292)	-	(432,041)
Retirements and disposals	-	(39)	(1,064,683)	(851,189)	(126,081)	(11,274)	-	(2,053,266)
Reclassifications (see Note 13)	-	17,050	7,744	(7,725)	(7)	(12)	-	17,050
Translation adjustments	-	(584)	27,352	39,152	7,964	(33)	-	73,851
Balance at end of year	7,564	1,246,145	9,737,843	9,978,599	802,982	396,621	-	22,169,754
Accumulated Impairment Losses								
Balance at beginning of year	-	-	-	2,000	-	-	-	2,008
Additions (see Note 22)	-	-	-	42,731	-	-	-	42,731
Reversals (see Note 22)	-	-	-	(2,000)	-	-	-	(2,000)
Balance at end of year	-	-	-	42,731	-	-	-	42,731
Net Book Value	P665,686	P1,497,149	P7,439,239	P5,508,096	P427,913	P215,027	P902,457	P16,655,567

2015								
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
(In Thousands)								
Cost								
Balance at beginning of year	P666,643	P2,513,950	P13,266,463	P11,986,533	P980,901	P511,145	P1,275,237	P31,200,872
Additions	-	16,322	740,028	1,030,269	126,336	43,782	2,640,049	4,596,786
Transfers	-	-	4,704	(4,004)	84	-	(784)	-
Retirements and disposals	-	-	(467,053)	(407,990)	(55,888)	(19,738)	(6,677)	(957,146)
Reclassifications (see Note 13)	-	340,641	1,224,413	1,089,394	61,109	6,792	(2,644,460)	77,889
Translation adjustments	3,092	3,048	144,227	65,755	10,495	780	4,533	231,930
Balance at end of year	669,735	2,873,961	14,912,782	13,759,957	1,123,037	542,761	1,267,898	35,150,131

(Forward)



2015								
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Accumulated Depreciation and Amortization								
Balance at beginning of year	P7,420	P1,001,352	P7,773,154	P8,103,470	P659,396	P290,513	P-	P17,835,305
Depreciation and amortization (see Notes 21 and 22)	108	98,857	1,610,406	1,432,084	139,774	64,411	-	3,345,640
Transfers	-	-	2,274	(2,238)	(36)	-	-	-
Retirements and disposals	-	-	(325,757)	(378,999)	(54,560)	(15,234)	-	(774,550)
Reclassifications (see Note 13)	-	57,437	(1,461)	1,577	(116)	-	-	57,437
Translation adjustments	-	314	79,497	50,640	6,138	558	-	137,147
Balance at end of year	7,528	1,157,960	9,138,113	9,206,534	750,596	340,248	-	20,600,979
Accumulated Impairment Losses								
Balance at beginning and end of year	-	-	-	2,000	-	-	-	2,000
Net Book Value	P662,207	P1,716,001	P5,774,669	P4,551,423	P372,441	P202,513	P1,267,898	P14,547,152

Construction in progress account mainly pertains to costs incurred for ongoing construction of properties, including soon-to-open stores.

Loss on disposals and retirements of property, plant and equipment and investment properties amounted to ₱236.8 million, ₱136.7 million and 156.6 million in 2016, 2015 and 2014, respectively.

The cost of fully depreciated property, plant and equipment still in use amounted to ₱9,929.9 million and ₱8,690.5 million as at December 31, 2016 and 2015, respectively.

The Jollibee Group performed impairment assessments of its store fixed assets considering that there are observable indications that the assets' values have significantly declined during the period as a result of the passage of time. Consequently, an allowance for impairment loss on office, store and food processing equipment amounting to ₱42.7 million was recognized in 2016.

No property, plant and equipment as at December 31, 2016 and 2015 have been pledged as security or collateral.

13. Investment Properties

The rollforward analysis of this account follows:

2016			
	Land	Buildings and Building Improvements	Total
<i>(In Thousands)</i>			
Cost			
Balance at beginning and end of year	₱983,428	₱199,951	₱1,183,379
Reclassifications (see Note 12)	-	(17,050)	(17,050)
Balance at end of year	983,428	182,901	1,166,329
Accumulated Depreciation and Amortization			
Balance at beginning of year	-	185,266	185,266
Depreciation (see Notes 21 and 22)	-	14,685	14,685
Reclassifications (see Note 12)	-	(17,050)	(17,050)
Balance at end of year	-	182,901	182,901
Net Book Value	₱983,428	P-	₱983,428



	2015		
	Land	Buildings and Building Improvements	Total
	<i>(In Thousands)</i>		
Cost			
Balance at beginning and end of year	₱983,428	₱277,840	₱1,261,268
Reclassifications (see Note 12)	—	(77,889)	(77,889)
Balance at end of year	983,428	199,951	1,183,379
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	235,623	235,623
Depreciation (see Notes 21 and 22)	—	7,080	7,080
Reclassifications (see Note 12)	—	(57,437)	(57,437)
Balance at end of year	—	185,266	185,266
Net Book Value	₱983,428	₱14,685	₱998,113

In 2015, the Jollibee Group reclassified its buildings held as investment property with carrying amounts of ₱20.5 million to property, plant and equipment due to the change in its use to owner-occupied property. In 2016, a fully depreciated building was also reclassified from investment property to owner-occupied property.

The cost of fully depreciated buildings and building improvements still being leased out by the Jollibee Group amounted to ₱182.0 million as at December 31, 2016 and 2015.

The Jollibee Group's investment properties have an aggregate fair value of ₱1,414.3 million as at December 31, 2014 as determined by independent qualified appraisers. Management does not expect a significant change in the aggregate fair value of the Jollibee Group's investment properties in 2016. The fair value represents the amount at which the assets and liabilities can be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions in accordance with International Valuation Standards.

In determining the fair value of the investment properties, the independent appraisers used the market data approach for land and cost approach for buildings and building improvements. For land, fair value is based on sales and listings of comparable properties within the vicinity after adjustments for differences in location, size and shape of the lot, time elements and other factors between the properties and their comparable properties. For buildings and building improvements, fair value is based on the current cost to replace the properties in accordance with prevailing market prices for materials, labor, and contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, and functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar properties. Fair value hierarchy disclosures for investment properties have been provided in Note 31.

Rent income derived from income-generating properties amounted to ₱91.4 million, ₱92.4 million and ₱90.6 million in 2016, 2015 and 2014, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties which include depreciation and maintenance expenses totaled to ₱15.1 million, ₱24.8 million and ₱24.5 million in 2016, 2015 and 2014, respectively.

No investment properties as at December 31, 2016 and 2015 have been pledged as security or collateral for the Jollibee Group's debts.



14. Goodwill and Other Intangible Assets

This account consists of:

	2016	2015
Goodwill	₱6,542,421,816	₱6,822,526,341
Trademark	2,004,255,942	2,004,255,942
Computer software, net of accumulated amortization	513,337,162	559,241,901
Other intangible assets, net of accumulated amortization	26,727,434	26,110,015
	₱9,086,742,354	₱9,412,134,199

Goodwill and trademark

Goodwill and trademark acquired through business combinations are attributable to the following group of CGUs as at December 31:

	2016	2015
Goodwill:		
Hong Zhuang Yuan	₱2,497,252,906	₱2,497,252,906
Mang Inasal	1,781,266,639	1,781,266,639
Red Ribbon Bakeshop:		
Philippine operations	737,939,101	737,939,101
US operations	434,651,055	434,651,055
Yong He King	535,280,653	535,280,653
Chowking US operations	383,855,247	383,855,247
GSC (see Note 11)	166,931,008	—
Burger King	5,245,207	5,245,207
Jinja Bar & Bistro (see Note 11)	—	154,894,001
San Pin Wang (see Note 11)	—	292,141,532
Total goodwill	6,542,421,816	6,822,526,341
Trademark -		
Mang Inasal	2,004,255,942	2,004,255,942
Goodwill and trademark	₱8,546,677,758	₱8,826,782,283

Computer software

The Jollibee Group's computer software pertains to the Enterprise Resource Planning (ERP) system which the Jollibee Group started to use on August 1, 2014.

The rollforward analysis of the Jollibee Group's computer software as at December 31 are as follows:

	2016	2015
Cost:		
Balance at beginning of year	₱656,177,279	₱567,750,478
Additions	14,584,777	88,426,801
Balance at end of year	₱670,762,056	₱656,177,279
Accumulated amortization:		
Balance at beginning of year	₱96,935,378	₱31,458,784
Amortizations (see Note 22)	60,489,516	65,476,594
Balance at end of year	₱157,424,894	₱96,935,378



	2016	2015
Net book value:		
At December 31	₱513,337,162	₱559,241,901
At January 1	559,241,901	536,291,694

Other intangible assets

The Jollibee Group's other intangible assets include other trademarks and patents amortized over its useful life of five years.

The roll forward analysis of other intangible assets as at December 31 is as follows:

	2016	2015
Cost:		
Balance at beginning of year	₱47,862,825	₱36,309,205
Additions	9,120,804	11,553,620
Balance at end of year	₱56,983,629	₱47,862,825
Accumulated amortization:		
Balance at beginning of year	₱21,752,810	₱14,272,889
Amortizations (see Note 22)	8,503,385	7,479,921
Balance at end of year	₱30,256,195	₱21,752,810
Net book value:		
At December 31	₱26,727,434	₱26,110,015
At January 1	26,110,015	22,036,316

Impairment Testing of Goodwill and Trademark

Goodwill acquired through business combinations have been allocated to seven (7) groups of CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly. The recoverable amounts of the groups of CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by the BOD covering a five-year period. Furthermore, the trademark of Mang Inasal is allocated to the CGU of Mang Inasal.

The calculation of value in use is most sensitive to the following assumptions which vary per geographical location:

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Revenue Growth Rate
Hong Zhuang Yuan	PRC	11.4%	6.4%
Mang Inasal	Philippines	11.0%	6.6%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	11.0%	6.6%
US operations	USA	14.1%	2.1%
Yong He King	PRC	11.0%	6.4%
Chowking US operations	USA	13.7%	2.1%
Burger King	Philippines	10.8%	6.6%



Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2016 and 2015 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

- a) Discount rates - discount rates represent the current market assessment of the risks specific to each group of CGUs, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Jollibee Group's group of CGUs, derived from weighted average cost of capital (WACC) of each group of CGUs. The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM). The cost of debt is based on the assumed interest-bearing borrowings each group of CGUs is obliged to service. CGU-specific risk is incorporated by applying individual alpha and beta factors. The beta factors are evaluated annually based on publicly available market data.
- b) Long-term growth rates - rates are determined in consideration of historical and projected results, as well as the economic environment where the group of CGUs operates.
- c) EBITDA - is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the other groups of CGUs to exceed its recoverable amount.

No impairment losses were recognized for goodwill and trademark for the periods ended December 31, 2016 and 2015.

15. Other Noncurrent Assets

This account consists of:

	2016	2015
Security and other deposits (see Notes 30 and 31)	₱2,103,707,474	₱1,794,988,953
Noncurrent portion of:		
Rent and other long-term prepayments	379,393,270	376,602,568
Employee car plan receivables (see Notes 30 and 31)	130,584,354	130,156,134
Prepaid market entry fee - net of accumulated amortization of ₱4.6 million in 2016 (see Notes 11 and 22)	99,262,450	93,870,000
Receivable from sale of business (see Note 11)	71,612,000	—
Deferred rent expense	49,195,580	58,751,612
Returnable containers and others	21,121,461	68,896,728
Deferred compensation	17,710,324	13,196,517
Other assets	171,964,995	133,211,388
	₱3,044,551,908	₱2,669,673,900



Security and other deposits generally represent deposits for operating leases entered into by the Jollibee Group as lessee. The security deposits are recoverable from the lessors at the end of the lease terms, which range from three to twenty years. These are carried at amortized cost. The discount rates used range from 2.36%-5.38% and 2.67%-5.50% in 2016 and 2015, respectively. The difference between the fair value at initial recognition and the notional amount of the security deposits is charged to "Deferred rent expense" account and amortized on straight-line basis over the lease terms.

Employee car plan receivables are presented at amortized cost. The difference between the fair value at initial recognition and the notional amount of the employees' car plan receivables is recognized as deferred compensation and is amortized on a straight-line basis over the credit period.

Prepaid market entry fee represents upfront fee paid to the franchisor prior to the operations of Dunkin' Donuts restaurants in the PRC (see Note 11). Market entry fee is amortized over twenty (20) years effective February 2016, start of Dunkin' Donuts operations.

The rollforward analysis of prepaid market entry fee as at December 31 is as follows:

	2016	2015
Balance at beginning of year	₱93,870,000	₱93,870,000
Amortizations (see Note 22)	(4,571,002)	—
Translation adjustment	10,327,452	—
Balance at end of year	₱99,626,450	₱93,870,000

Receivable from sale of business pertains to noncurrent portion of receivables from GZK as a result of the Jollibee Group's divestment in SPW (see Note 11) and tools for repairs and maintenance of office and store equipment which were still unused as at December 31, 2016 and 2015. It also includes amount garnished by the BIR in relation to tax assessments of JWS.

Accretion of interest on security and other deposits and employee car plan receivables amounted to ₱25.2 million, ₱19.8 million and ₱25.2 million in 2016, 2015 and 2014, respectively (see Note 23).

16. Trade Payables and Other Current Liabilities

This account consists of:

	2016	2015
Trade	₱9,944,748,913	₱9,433,766,730
Accruals for:		
Local and other taxes	1,599,790,757	1,297,183,541
Store operations	1,397,178,698	1,062,570,902
Salaries, wages and employee benefits	1,406,605,078	1,577,551,002
Advertising and promotions	1,206,901,986	934,634,342
Rent	923,429,963	856,335,222
Utilities	393,388,938	351,679,763
Freight	374,225,531	335,996,262

(Forward)



	2016	2015
Operating supplies	₱326,016,718	₱252,667,293
Repairs and maintenance	300,594,045	255,114,294
Corporate events	250,672,694	212,493,276
Professional fees	203,089,086	379,863,402
Security	140,546,911	105,173,678
Trainings and seminars	124,800,880	64,129,887
Communication	76,569,472	78,288,924
Transportation and travel	54,130,720	39,609,756
Interest (see Note 18)	51,384,232	36,766,361
Insurance	20,207,100	18,174,378
Service fees and others	1,455,558,824	811,325,174
Customers' deposits	617,217,731	764,790,680
Unearned revenue from gift certificates	147,097,688	108,845,361
Dividends payable	47,705,414	43,544,875
Other current liabilities	898,705,841	506,540,761
	₱21,960,567,220	₱19,527,045,864

Trade payables to suppliers are noninterest-bearing and are normally settled on a 30 to 60-day term.

Accrued expenses are noninterest-bearing and are normally settled within the next financial year. Other accrued liabilities include service fees which amounted to ₱188.3 million and ₱354.6 million as at December 31, 2016 and 2015, respectively. This also consists of charges related to representations and other miscellaneous expenses.

Customers' deposits pertain to security deposits from operating leases with franchisees and subsidiaries, which are refundable at the end of the lease term and deposits for kiddie party packages.

Other current liabilities consist of staled checks, amounts payable for mascots and various subscriptions in newspapers given to customers as a complementary to their meals.

Accretion of interest on financial liabilities amounted to ₱20.4 million, ₱19.9 million and ₱18.1 million in 2016, 2015 and 2014, respectively (see Note 23).

17. Provisions

The Jollibee Group has outstanding provisions amounting to ₱30.5 million as at December 31, 2016 and 2015, consisting mainly of provisions for asserted claims.

These include estimates of legal services, settlement amounts and other costs of claims made against the Jollibee Group. Other information on the claims is not disclosed as this may prejudice the Jollibee Group's position on such claims (see Note 29).



18. Short and Long-term Debts

Short-term Debt

On February 12, 2015, JWPL availed a short-term loan from a local bank amounting to USD6.0 million (P282.4 million) with an interest rate of 1.5% per annum, subject to monthly repricing. The principal of USD6.0 million (P276.4 million) and interest amounting to P1.0 million were paid in full on February 5, 2016, the date of maturity.

The Parent Company, Zenith and Mang Inasal also availed various short-term loans in 2015. Details of the short-term debts availed and fully paid at maturity follow:

Borrower	Date Availed	Maturity Date	Interest Rate	Principal Amount
<i>Parent Company</i>	January 14, 2015	February 27, 2015	1.9%	P815,000,000
	January 30, 2015	February 27, 2015	2.1%	1,050,000,000
	February 12, 2015	June 30, 2015	2.5%	681,000,000
	February 27, 2015	August 27, 2015	2.4%	1,865,000,000
	August 27, 2015	September 28, 2015	2.5%	1,365,000,000
	September 28, 2015	November 11, 2015	2.5%	865,000,000
<i>Zenith</i>	March 20, 2015	September 18, 2015	2.5%	200,000,000
	March 27, 2015	September 25, 2015	2.5%	170,000,000
<i>Mang Inasal</i>	February 27, 2015	June 30, 2015	2.4%	315,000,000

The agreements for the short-term debts above did not provide any restrictions or requirements with respect to maintenance of required financial ratios.

Interest expense recognized on short-term debt amounted to P0.2 million, P52.4 million and P3.2 million in 2016, 2015 and 2014, respectively (see Note 23).

Long-term Debt

The long-term debt consists of the following:

	2016	2015
Principal	P12,165,608,000	P9,726,068,000
Unamortized debt issue cost	(10,242,423)	(7,439,394)
	P12,155,365,577	P9,718,628,606

The details of long-term debt follow:

	2016	2015
USD-denominated:		
Loan 1	P5,469,200,000	P5,176,600,000
Loan 2	621,500,000	1,058,850,000
Loan 3	298,320,000	564,720,000
Loan 4	1,491,600,000	—
Loan 5	397,760,000	—
Loan 6	198,880,000	188,240,000
Loan 7	293,348,000	277,654,000

(Forward)



	2016	2015
PHP-denominated:		
Loan 8	₱1,481,590,909	₱1,495,227,273
Loan 9	798,133,334	797,333,333
Loan 10	995,583,334	–
Loan 11	109,450,000	–
Loan 12	–	160,004,000
	12,155,365,577	9,718,628,606
Less current portion - net of debt issue costs of ₱586,518 and ₱47,727 in 2016 and 2015, respectively	1,561,515,860	927,916,273
	₱10,593,849,717	₱8,790,712,333

USD-denominated loans of JWPL. Loan 1 consists of a 10-year unsecured loan acquired from a local bank on October 21, 2015 amounting to USD110.0 million (₱5,111.7 million) subject to a variable interest rate based on three-month London Interbank Offered Rate (LIBOR) plus spread of 1.20% which is payable and is reset on a quarterly basis. The spread applies provided the Republic of the Philippines' 5-year credit default swap remains under 1.10%. The principal is payable in quarterly installments commencing on January 23, 2017 up to October 21, 2025, the maturity date. As at December 31, 2016 and 2015, the carrying value of the loan amounted to ₱5,469.2 million and ₱5,176.6 million, respectively.

Under the loan agreement, the Parent Company as the guarantor is subject to certain debt covenants which include among others, maintaining a Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. As at December 31, 2016 and 2015, the Parent Company is in compliance with the terms of the loan covenants.

Loan 2 consists of a 5-year unsecured loan acquired on February 25, 2013 amounting to USD40.0 million (₱1,632.0 million) subject to quarterly interest repricing with one-time option to fix in the future. The interest rate is based on three-month US Dollar LIBOR plus spread of 1.0%. The principal is payable in 16 quarterly installments commencing on May 26, 2014 up to February 26, 2018, the maturity date. As at December 31, 2016 and 2015, the carrying value of the loan amounted to ₱621.5 million and ₱1,058.9 million, respectively.

Loan 3 consists of a 4-year unsecured loan acquired on October 25, 2013 amounting to USD18.0 million (₱777.8 million) with an interest rate based on three-month USD LIBOR plus spread of 1.0% subject to interest repricing every quarter. The principal is payable in 12 quarterly installment commencing on January 25, 2015 up to October 25, 2017, the date of maturity. As at December 31, 2016 and 2015, the carrying value of the loan amounted to ₱298.3 million and ₱564.7 million, respectively.

The loan agreements above (Loans 2 and 3) provide certain restrictions and requirements with respect to maintaining financial ratios, which include Debt-to-Equity ratio which is not to exceed 1.5 and Debt Service Coverage ratio of at least 2.0. As at December 31, 2016 and 2015, JWPL is in compliance with the terms of its loan covenants.

Loan 4 consists of an 8-year unsecured loan acquired on November 29, 2016 amounting to USD30.0 million (₱1,491.9 million) with an interest rate of 3.0% per annum. The principal is payable in 6 yearly installment commencing on November 29, 2017 up to November 29, 2022 amounting to USD0.3 million, and the remaining balance on November 29, 2024, the maturity date. As at December 31, 2016, the carrying value of the loan amounted to ₱1,491.6 million.



Loan 5 consists of a 6-year unsecured loan acquired on November 29, 2016 amounting to USD8.0 million (P397.8 million) with an interest rate based on interpolated ROP 2021 and ROP 2024 plus spread of 0.5%. The principal is payable in 5 yearly installment commencing on November 29, 2017 up to November 29, 2021 amounting to USD0.08 million, and the remaining balance on November 29, 2022, the maturity date. As at December 31, 2016, the carrying value of the loan amounted to P397.8 million.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 and below. The Parent Company is in compliance with these debt covenants as at December 31, 2016.

USD-denominated loans of HBFPPPL. Loan 6 consists of a 5-year unsecured loan acquired on May 8, 2013 amounting to USD4.0 million (P163.3 million) with an interest rate based on three-month USD LIBOR plus spread of 1.0% basis points subject to repricing every quarter. The principal is payable on May 7, 2018, the maturity date. As at December 31, 2016 and 2015, the carrying value of the loan amounted to P198.9 million and P188.2 million, respectively.

Loan 7 consists of a 5-year unsecured loan acquired on April 25, 2014 amounting to USD5.9 million (P257.5 million) with an interest rate of 1.48% subject to repricing every quarter. The principal is payable on April 24, 2019, the maturity date. As at December 31, 2016 and 2015, the carrying value of the loan amounted to P293.3 million and P277.7 million, respectively.

The loan agreements above (Loans 6 and 7) provide certain restrictions and requirements with respect to maintaining financial ratios, which include Debt-to-Equity ratio and Debt-to-EBITDA ratio not to exceed 3.0. As at December 31, 2016 and 2015, the HBFPPPL is in compliance with the terms of its loan covenants.

PHP-denominated loans of the Parent Company. On December 9, 2013, the Parent Company refinanced its P1,500.0 million term loan from a local bank due on December 16, 2013 by availing a term loan of the same amount (Loan 8). The new loan is payable over five years and six months from the date of drawdown with annual principal repayments of P15.0 million starting on the 30th month from the date of drawdown and P1,455.0 million upon maturity. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury Fixing (PDST-F) rate plus spread of 1.25%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the Bangko Sentral ng Pilipinas (BSP) Overnight Reverse Repurchase Agreement Rate. The loan was drawn on December 16, 2013 and will mature on June 17, 2019. The Parent Company incurred debt issue costs of P7.5 million, representing documentary stamp tax, in relation to this loan in 2013.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. The Parent Company is in compliance with these debt covenants as at December 31, 2016 and 2015.

Loan 9 consists of a 5-year unsecured loan acquired from a local bank on April 21, 2014 amounting to P800.0 million. The loan is subject to a variable interest rate based on three-month PDST-F rate plus spread of 1.00%, and to an interest rate floor based on the BSP Special Deposit Account Rate plus spread of 1.00% or BSP Overnight Borrowing Rate plus spread of 1.0%. The Parent Company incurred debt issue costs of P4.0 million, representing documentary stamp tax, in relation to this loan in 2014. The principal is payable on April 21, 2019, the date of maturity.



Under the loan agreement, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 and below and Debt Service Coverage ratio of at least 3.0 and 1.3, respectively. The Parent Company is in compliance with these debt covenants as at December 31, 2016 and 2015.

Loan 10 consists of 5-year unsecured loan acquired from a local bank on April 21, 2016 amounting to ₱1,000.0 million. The loan is subject to an interest rate based on Reference Rate plus spread of 0.55%, subject to repricing every quarter, and to an interest rate floor of BSP SDA. Provided, however that on any Interest Payment Date, in lieu of a floating interest rate, the Parent Company shall have a one-time option to convert into a fixed-interest rate loan. The principal is payable in sixteen (16) quarterly installments commencing on the 15th months from drawdown date amounting to ₱62.5 million. The Parent Company incurred debt issue cost of ₱5.0 million representing documentary stamp tax for this loan.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 and below. The Parent Company is in compliance with these debt covenants as at December 31, 2016.

The Parent Company's PHP denominated long-term debt (Loans 8 ,9 and 10) amounts to ₱3,275.3 million and ₱2,292.6 million, net of unamortized debt issue cost of ₱9.7 million and ₱7.4 million as at December 31, 2016 and 2015, respectively. The current portion is payable in 2017 amounting to ₱140.0 million, net of debt issue costs of ₱0.6 million as at December 31, 2016.

PHP-denominated loan of PERF Restaurants, Inc.(PERF). Loan 11 is a 5-year unsecured loan acquired from local bank on December 21, 2016 amounting to ₱110.0 million with an interest rate based on three-month PDST-R2 + 1.0% with interest rate floor computed as BSP Overnight Deposit Facility Rate plus 0.5%.

Loan is guaranteed by the Parent Company, consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 and below and Debt Service Coverage ratio of at least 3.0 and 1.3, respectively. The Parent Company is in compliance with these debt covenants as at December 31, 2016.

Loan 12 is a 5-year unsecured USD3.4 million (₱149.2 million) bearing fixed interest rate of 5.32% per annum. The principal was fully settled on December 20, 2016, the maturity date.

The loan contains certain restrictive covenants and requirements with respect to the following:

- a) Maintenance of the following ratios for the duration of the loan agreements: (1) minimum debt service coverage of 1.5:1; and (2) maximum debt to (EBITDA) of 4:1.
- b) Restrictions on changes in ownership structure; incurrence of any additional loans with term of more than one year; repayment of intercompany borrowings from the Parent Company except those agreed upon signing of this Facility Agreement; investing or entering into any business substantially different from the business in which PERF is presently engaged; and enter into merger or consolidation, except where PERF is the surviving corporation, and the Parent Company remains as the majority beneficial owner of the surviving corporation.



As at December 31, 2015, PERF ratios of debt service coverage cost and debt to EBITDA is 0.43:1 and 2.43:1, respectively. The loan is part of the current portion of long term debt in 2015.

Interest expense recognized on long-term debt including amortization of debt issue cost, amounted to ₱247.0 million, ₱153.2 million and ₱131.2 million in 2016, 2015 and 2014, respectively (see Note 23).

The future expected principal settlements of the Jollibee Group's loans follow:

2017	₱1,562,102,378
2018	1,508,110,378
2019	3,131,582,378
2020 to 2025	5,963,812,866
	12,165,608,000
Less debt issue costs	(10,242,423)
	<u>₱12,155,365,577</u>

Embedded Derivatives

Certain long-term loans of the Jollibee Group include provisions for an option to convert the variable interest rate into a fixed interest rate. Certain long-term loans are also subject to an interest rate floor. In addition, the Jollibee Group's long-term loans generally provide an option to pre-pay the loan in full before the maturity date.

The Jollibee Group assessed that the derivatives embedded in the loan contracts need not be bifurcated since they are clearly and closely related to the economic characteristics and risks of the host loan contract and do not qualify for separate accounting as at December 31, 2016 and 2015.

Freestanding Derivatives, Hedges and Hedge Effectiveness Testing

On November 20, 2015, the Jollibee Group entered into an Interest Rate Swap (IRS) with a bank to convert its exposure in the variable interest rate of Loan 1 to a fixed interest rate. The IRS will terminate and the loan will mature simultaneously on October 21, 2025. The Jollibee Group has designated the IRS as a cash flow hedge.

The IRS with a notional amount equal to the principal amount of the loan requires the Jollibee Group to pay fixed interest payments at 3.36% in exchange of variable interest payments at three-month LIBOR plus spread of 1.20% from the bank throughout the term of the IRS on the notional amount. The IRS settles quarterly on a net basis.

The fair value of the IRS amounted to ₱33.5 million and ₱34.9 million as at December 31, 2016 and 2015, respectively, which were presented as a derivative liability in the statements of financial position. The terms of the IRS approximately match the terms of the interest payments on the loan. Accordingly, there is no hedge ineffectiveness to be recognized in profit or loss. Unrealized gain of ₱1.4 million and unrealized loss ₱34.9 million were recognized in other comprehensive income in 2016 and 2015, respectively.

In 2012, Loan 12 was converted into a deliverable cross-currency swap transaction to hedge in full the foreign currency risk and interest rate risk on its floating rate. Under the cross-currency swap, PERF received at inception PHP notional amount of ₱149.2 million and paid USD notional amount of USD3.4 million based on the PHP/USD spot reference rate of ₱43.87. At every interest payment date, PERF will receive variable interest based on 3-month US Dollar LIBOR plus spread and will pay fix interest rate. At maturity date, PERF will receive USD notional amount of USD3.4 million and pay PHP notional amount of ₱149.2 million. The USD receipts from the



cross-currency swap correspond to the expected interest fixed principal amount due on the hedged loan. Similar to the hedged loan, the cross-currency swap is non-amortizing and it matured on December 20, 2016.

Effectively, the cross-currency swap transformed the floating rate USD loan into a fixed rate PHP loan.

The fair value of the cross-currency swap resulted to a derivative asset amounting to nil and P9.9 million as at December 31, 2016 and 2015, respectively.

Since the critical terms of the hedged loan and cross-currency swap matched, the hedge was assessed to be highly effective. As such, there was no ineffectiveness recognized in the profit or loss for the year ended December 31, 2016 and 2015.

The movements in fair value of cash flow hedges relative to the cross-currency swap presented in equity under other comprehensive loss in 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year	P977,759	P4,435,473
Changes in fair value of the cash flow hedge	9,868,241	(13,351,855)
Transfer to profit or loss	(10,846,000)	9,894,141
Net movement on cash flow hedge	(977,759)	(3,457,714)
Balance at end of period	—	977,759
Non-controlling interests' share	—	(449,770)
	P—	P527,989

The foreign exchange revaluation of the hedged loan, amounting to P10.9 million and P9.9 million, was recognized in other comprehensive loss (gain) on derivative liability in 2016 and 2015, respectively.

19. Equity

a. Capital Stock

The movements in the account are as follows:

	2016	2015
Authorized - P1 par value	P1,450,000,000	P1,450,000,000
Issued and subscribed:		
Balance at beginning of year	P1,086,149,410	P1,081,040,314
Issuances during the year	5,151,895	5,109,096
Balance at end of year	1,091,301,305	1,086,149,410
Subscriptions receivable	(17,177,884)	(17,177,884)
	P1,074,123,421	P1,068,971,526

The total number of shareholders of the Parent Company is 3,075 and 3,118 as at December 31, 2016 and 2015, respectively.



b. Additional Paid-in-Capital

The movements in the Additional paid in-capital pertain to the difference between the exercised prices of stock options exercised and the par value of Parent Company's shares. In 2016 and 2015, stock options totaling 5,151,895 shares and 5,109,096 shares, respectively, were exercised (see Note 26). These resulted to an additional paid in capital amounting to ₱363.5 million and ₱429.9 million in 2016 and 2015, respectively.

Stock options expense, amounting to ₱241.3 million, ₱173.2 million and ₱166.5 million in 2016, 2015 and 2014, respectively, were also recognized as part of additional paid in capital (see Notes 22 and 26).

As at December 31, 2016 and 2015, total additional-paid in capital amounted to ₱5,660.1 million and ₱5,055.3 million, respectively.

c. Treasury Shares

The cost of common stock of the Parent Company held in treasury of ₱180.5 million consists of 16,447,340 shares as at December 31, 2016 and 2015.

d. Excess of Cost over the Carrying Value of Non-controlling Interests Acquired

The amount of excess of cost over the carrying value of non-controlling interests acquired as at December 31, 2016 and 2015, recognized as part of "Equity Attributable to Equity Holders of the Parent Company" section in the consolidated statements of financial position, resulted from the following acquisitions of non-controlling interests:

	2016	2015
20% of Greenwich in 2006	₱168,257,659	₱168,257,659
15% of Belmont in 2007	375,720,914	375,720,914
40% of Adgraphix in 2010	(1,214,087)	(1,214,087)
30% of Mang Inasal in 2016 (see Note 11)	1,217,615,297	—
30% of HBFPL in 2016 (see Note 11)	391,781,603	—
	₱2,152,161,386	₱542,764,486

e. Retained Earnings

The Jollibee Group has a cash dividend policy of declaring one-third of the Jollibee Group's net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percentage of the EPS are 32.4%, 38.3% and 32.3% in 2016, 2015 and 2014, respectively.

The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱6,046.3 million and ₱11,409.3 million as at December 31, 2016 and 2015, respectively.



The Parent Company's cash dividend declarations for 2016, 2015 and 2014 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
2016				
April 6	April 21	May 6	₱0.86	₱919,434,837
November 11	November 28	December 12	1.00	1,072,807,848
			₱1.86	₱1,992,242,685
2015				
April 7	May 7	May 29	₱0.80	₱851,349,864
November 9	November 25	December 9	0.97	1,035,509,750
			₱1.77	₱1,886,859,614
2014				
April 7	May 8	May 30	₱0.75	₱788,176,867
November 12	November 27	December 18	0.89	945,305,674
			₱1.64	₱1,733,482,541

An important part of the Jollibee Group's growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,976.2 million), 100% of Chowking US operations in 2011 (₱693.3 million), 48% of WJ Investments Limited (₱98.0 million) in 2012, 40% of SJBF LLC, the parent company of the entities comprising the Smashburger business in US (₱4,812.8 million), including transaction costs, in 2015, the remaining 30% minority share each in Mang Inasal (₱2,000.0 million) and HBFPL (₱514.9 million) and the acquisition of GSC (₱8.6 million) in 2016.

The Jollibee Group plans to continue to make substantial acquisitions in the coming years. The Jollibee Group uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay, making the level of the retained earnings higher than the paid-up capital stock.

In support of the Jollibee Group's strategy, the BOD approved an additional appropriation of ₱8,000.0 million, ₱5,200.0 million, ₱3,800.0 million and ₱1,200.0 million on April 6, 2016, April 11, 2013, February 15, 2012 and in 2009, respectively, for future acquisitions and capital expenditures.

Details of the appropriated retained earnings as at December 31 follow:

Projects	Timeline	2016	2015
Capital Expenditures	2013 - 2018	₱10,600,000,000	₱2,600,000,000
Acquisition of Businesses	2013 - 2018	7,600,000,000	7,600,000,000
		₱18,200,000,000	₱10,200,000,000

The unappropriated retained earnings of the Parent Company is also restricted to the extent of cost of common stock held in treasury amounting to ₱180.5 million in both years as well as the undistributed retained earnings of its subsidiaries which amounted to ₱3,664.8 million and ₱2,718.1 million as at December 31, 2016 and 2015, respectively.



In relation with the SRC Rule 68, as Amended (2011), Annex 68-D, below is the summary of the Parent Company's track record of registration of securities.

				2016	2015
	Number of Shares registered	Initial issue/offer price	Listing Date	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	75,000,000	₱9	July 14, 1993	3,075	3,118

20. Royalty, Franchise Fees and Others

This account consists of:

	2016	2015	2014
Royalty fees	₱4,959,567,788	₱4,329,041,212	₱3,914,101,302
Franchise fees	309,353,739	189,082,523	152,531,503
Scrap sales	154,627,818	146,660,284	101,579,151
Service fees	119,262,274	65,727,123	78,544,132
Rent income (see Notes 13 and 29)	91,387,180	92,423,615	90,642,833
Other revenues	252,817,353	146,094,210	124,061,569
	₱5,887,016,152	₱4,969,028,967	₱4,461,460,490

The Jollibee Group has existing Royalty and Franchise Agreements with independent franchisees for the latter to operate quick service restaurant outlets under the "Jollibee", "Chowking", "Greenwich", "Red Ribbon", "Mang Inasal", "Yong He King" and "Hong Zhuang Yuan" concepts and trade names. In consideration thereof, the franchisees agree to pay franchise fees and monthly royalty fees equivalent to a certain percentage of the franchisees' net sales.

Other revenues pertain to delivery fees and other miscellaneous revenues earned by the Jollibee Group.

21. Cost of Sales

This account consists of:

	2016	2015	2014
Cost of inventories	₱54,475,006,733	₱49,202,289,886	₱43,228,221,857
Personnel costs:			
Salaries, wages and other employee benefits	10,472,700,141	9,870,706,295	9,205,954,169
Pension expense (see Note 25)	171,514,770	153,311,191	119,911,904
Rent (see Note 29)	8,234,529,816	7,450,951,945	6,671,204,628
Contracted services	4,875,092,028	3,194,297,342	2,428,204,593
Electricity and other utilities	4,022,779,203	3,808,056,122	3,767,659,068
Depreciation and amortization (see Notes 12 and 13)	3,542,623,921	3,084,155,170	2,859,700,438
Supplies	2,155,032,954	1,887,539,611	2,149,191,146
Repairs and maintenance	1,327,943,299	1,107,658,833	943,277,853
Security and janitorial	638,303,263	502,856,479	382,980,808
Communication	190,811,410	160,536,728	151,658,421
Professional fees	34,971,925	25,265,578	16,843,803
Entertainment, amusement and recreation	33,181,292	33,039,290	27,276,536
Others	2,640,997,560	2,411,036,785	1,775,706,917
	₱92,815,488,315	₱82,891,701,255	₱73,727,792,141



22. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Personnel costs:			
Salaries, wages and other employee benefits	₱5,543,158,947	₱4,837,802,315	₱4,675,596,092
Stock options expense (see Note 26)	241,323,679	173,211,693	166,490,888
Pension expense (see Note 25)	192,266,518	159,324,553	125,671,823
Taxes and licenses	1,271,104,491	1,143,765,493	970,757,479
Professional fees	608,585,976	418,556,086	356,335,140
Transportation and travel	504,468,556	438,990,277	393,123,071
Contracted services	499,532,704	544,278,767	295,691,791
Rent (see Note 29)	470,004,086	390,934,123	401,539,745
Depreciation and amortization (see Notes 12, 13, 14 and 15)	453,244,194	341,521,752	326,679,292
Loss on retirement of assets	236,808,617	136,746,521	156,615,427
Repairs and maintenance	191,252,902	136,227,644	105,738,442
Training	161,683,300	101,565,353	47,586,227
Corporate events	161,627,902	163,136,175	167,816,029
Communication	98,768,633	113,654,250	97,197,031
Impairment in value of:			
Receivables (see Note 7)	91,414,715	325,907,626	36,301,470
Inventories (see Note 8)	78,621,389	11,048,562	11,066,386
Property, plant & equipment (see Note 12)	42,731,142	—	2,000,000
Donations	82,641,869	105,831,264	88,575,310
Supplies	78,768,877	74,256,546	53,892,109
Entertainment, amusement and recreation	53,781,461	64,584,834	80,269,589
Electricity and other utilities	52,596,119	56,807,247	64,955,121
Association dues	50,516,850	52,509,182	30,468,480
Security and janitorial	22,464,338	19,605,607	14,613,774
Insurance	16,782,122	16,146,870	14,678,441
Reversals of provision for impairment on:			
Inventories (see Note 8)	(18,129,447)	(12,047,290)	(8,489,305)
Receivables (see Note 7)	(3,188,474)	(4,605,656)	(868,308)
Property, plant & equipment (see Note 12)	(2,000,000)	—	(16,200,000)
Investment properties (see Note 13)	—	—	(46,447,298)
Others	680,608,418	478,282,948	342,057,049
	₱11,861,439,884	₱10,288,042,742	₱8,953,711,295

In 2014, management reassessed the recoverable amount of the Jollibee Group's office, store and food processing equipment which includes actual inspection of the Jollibee Group's existing assets, and recognized a reversal of provision amounting to ₱16.2 million, based on fair value less cost to sell. Management expects minimal costs to dispose the items.

In the same year in 2014, the Jollibee Group reversed the allowance for impairment loss recognized in 2011 amounting to ₱46.4 million for its land held as investment property as a result of the increase in the fair value of the asset compared to the carrying amount had there been no impairment loss recognized.



23. Interest Income (Expense) and Other Income (Expense)

	2016	2015	2014
Interest income:			
Cash and cash equivalents and short-term investments (see Note 6)	P136,671,879	P118,031,881	P111,812,888
Loans and advances* (see Note 11)	125,069,546	119,977,272	104,994,231
Accretion of interest on security and other deposits and employee car plan receivables (see Note 15)	25,172,182	19,774,432	25,238,222
	P286,913,607	P257,783,585	P242,045,341

*Including interest income of other subsidiaries other than those mentioned in Note 11.

	2016	2015	2014
Interest expense:			
Long-term debt (see Note 18)	(P247,035,844)	(P153,205,938)	(P131,178,351)
Short-term debt (see Note 18)	(228,362)	(52,444,070)	(3,155,167)
Accretion of interest on the liability and remeasurement of contingent consideration from acquisition of businesses and accretion of customers' deposits (see Notes 11 and 16)	(20,354,230)	(19,894,311)	(18,137,735)
	(P267,618,436)	(P225,544,319)	(P152,471,253)

Other income (expense):			
Write-off of liabilities	P1,111,924,377	P905,088,473	P357,935,555
Rebates and suppliers' incentives	206,712,368	228,960,676	258,778,135
Bank charges	(118,626,724)	(108,180,525)	(87,161,305)
Divestment of subsidiaries (see Note 11)	66,694,732	—	—
Penalties and charges	53,273,691	45,335,593	27,448,182
Foreign exchange gain - net	41,484,570	36,823,347	(1,143,310)
Charges to franchisees	19,857,700	18,264,553	13,826,878
Other rentals	16,391,681	13,821,195	13,607,060
Pre-termination of operating leases	9,527,789	3,460,645	25,797,871
Insurance claims and others	175,682,911	93,183,623	50,214,860
	P1,582,923,095	P1,236,757,580	P659,303,926

In the normal course of business, the Jollibee Group accrues liabilities based on management's best estimate of costs incurred, particularly in cases when the Jollibee Group has not yet received final billings from suppliers and vendors. There are also ongoing negotiations and reconciliations with suppliers and vendors on certain liabilities recorded. These balances are continuously reviewed by management and are adjusted based on these reviews, resulting to write-off of certain liabilities as other income.



24. Income Taxes

The Jollibee Group's provision for current income tax consists of the following:

	2016	2015	2014
Final tax withheld on:			
Royalty and franchise fee income	P1,120,246,727	P965,199,097	P868,377,737
Interest income	16,135,222	10,891,198	12,837,513
RCIT:			
With itemized deduction	805,091,719	552,757,433	467,843,856
With Optional Standard Deduction (OSD)	214,248,911	229,911,748	207,318,757
MCIT	179,132,310	167,318,508	138,390,687
	P2,334,854,889	P1,926,077,984	P1,694,768,550

RCIT consists of corporate income taxes from the Jollibee Group's operations in the Philippines, PRC, United States and Singapore.

For the years ended December 31, 2016, 2015 and 2014, Zenith, Grandworth and RRBHI, wholly-owned subsidiaries, elected to use OSD in computing for their taxable income. The total tax benefits from the availment of OSD amounted to P57.9 million, P40.4 million and P66.8 million in 2016, 2015 and 2014, respectively.

The components of the Jollibee Group's recognized net deferred tax assets as at December 31 follow:

	2016	2015
Deferred tax assets:		
NOLCO:		
Philippine-based entities	P844,871,769	P596,843,454
PRC-based entities	228,101,049	185,766,984
Pension liability and other benefits	545,488,783	420,940,255
Excess of MCIT over RCIT	460,009,031	318,340,224
Operating lease payables	470,202,225	434,947,435
Accumulated impairment loss in value of receivables, inventories, property, plant and equipment and other nonfinancial assets	109,327,918	164,750,267
Unrealized foreign exchange loss	17,917,726	106,324,834
Unamortized past service costs	13,146,210	25,459,340
Unaccreted discount on security deposits and employee car plan receivables	21,236,389	13,849,282
Others	8,389,520	7,966,614
Total	2,718,690,620	2,275,188,689
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	710,889	682,326,007
Prepaid rent	60,795,658	42,854,387
Unrealized gain on change in fair value of AFS	459,500	—
Unrealized foreign exchange gain	43,291,934	118,662,126
Unaccreted discount on employee car plan receivables and security deposits	14,907,490	11,139,822
Deferred rent expense	9,322,383	10,645,399
Operating lease receivables	3,707,928	1,072,412
	133,195,782	866,700,153
Deferred tax assets – net	P2,585,494,838	P1,408,488,536



The components of the Jollibee Group's recognized net deferred tax liabilities as at December 31, 2016 follow:

	2016
Deferred tax assets:	
NOLCO - Philippine-based	₱10,473,820
Operating lease payables	8,371,332
Excess of MCIT over RCIT	24,920,828
Pension liability and other benefits	41,604,953
Unrealized foreign exchange loss	33,177
Unamortized past service costs	3,997,218
Unaccreted discount on security deposits and employee car plan receivables	1,021,207
Allowance for impairment loss on receivables and inventory	84,942,221
	175,364,756
Deferred tax liabilities:	
Excess of fair value over book value of identifiable assets of acquired businesses	677,105,441
Unrealized foreign exchange gain	653,388
Unaccreted discount on employee car plan receivable, security and product security deposit	4,182,909
	681,941,738
Deferred tax liabilities - net	₱506,576,982

As at December 31, 2015, the Jollibee Group is in the net deferred tax asset position.

The rollforward analysis of the net deferred tax assets and liabilities of the Jollibee Group follows:

	2016	2015
Balance at beginning of year	₱1,408,488,536	₱740,587,390
Additions	643,505,847	537,470,070
Income tax effect of other remeasurements of net defined benefit plan	29,646,038	104,824,523
Translation adjustments	(2,772,565)	25,606,553
	₱2,078,867,856	₱1,408,488,536

OSD

The availment of the OSD method also affected the recognition of several deferred tax assets and liabilities. Deferred tax assets and liabilities, for which the related income and expense are not considered in determining gross income for income tax purposes, are not recognized. This is because the manner by which the Jollibee Group expects to recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result to any future tax consequence under the OSD method. Meanwhile, deferred tax assets and liabilities, for which the related income and expense are considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence under OSD method. Hence, the tax base of these deferred tax assets and liabilities is reduced by the 40% allowable deduction provided for under the OSD method.



Accordingly, the Jollibee Group's deferred tax assets and liabilities, which were not recognized due to the use of the OSD method, are as follows:

	2016	2015
Deferred tax assets:		
Allowance for impairment losses on receivables and nonfinancial assets	₱20,340,835	₱6,009,062
Operating lease payables	18,916,923	9,562,295
Pension liability	11,052,821	9,696,538
Provision for bonus	6,878,986	—
Excess MCIT over RCIT	2,450,411	—
Unaccredited discount on financial instruments and others	604,742	279,918
Unamortized past service cost	260,997	383,003
Others	—	26,316
	60,505,715	25,957,132
Deferred tax liabilities:		
Operating lease receivables	4,495,653	4,772,417
Deferred rent expense	53,998	82,338
Others	589,307	200,959
	5,138,958	5,055,714
	₱55,366,757	₱20,901,418

As at December 31, 2016, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefit up to	NOLCO	Excess of MCIT over RCIT
2016	December 31, 2019	₱1,033,062,238	₱179,223,725
2015	December 31, 2018	1,042,330,392	167,318,506
2014	December 31, 2017	1,269,523,632	138,387,628
2013	December 31, 2016	79,089,765	12,634,090
		3,424,006,027	497,563,949
Utilized during the year		(304,108,345)	(8,247,174)
Expired during the year		—	(4,386,916)
		₱3,119,897,682	₱484,929,859

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at December 31, 2016, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carryforward Benefit Up to	Tax Losses	Deferred Tax at 25%
2016	December 31, 2021	₱240,987,873	₱60,246,965
2015	December 31, 2020	234,392,612	58,598,153
2014	December 31, 2019	157,497,816	39,374,454
2013	December 31, 2018	145,788,888	36,447,222
2012	December 31, 2017	133,737,020	33,434,255
		₱912,404,209	₱228,101,049



The following are the movements in deferred tax assets on NOLCO of the Jollibee Group:

	2016	2015	2014
Balance at beginning of year	₱782,610,438	₱544,952,592	₱310,601,984
Additions	355,025,299	365,752,990	268,941,247
Utilized during the year	(51,416,534)	(126,173,592)	(25,648,675)
Write-offs and expirations	—	(4,221,281)	(8,363,448)
Translation adjustments	(2,772,565)	2,299,729	(578,516)
	₱1,083,446,638	₱782,610,438	₱544,952,592

The following are the movements in deferred tax assets on Excess of MCIT over RCIT of the Jollibee Group:

	2016	2015	2014
Balance at beginning of year	₱318,340,224	₱160,357,672	₱22,820,958
Additions	179,223,725	167,318,506	137,536,714
Utilized during the year	(8,247,174)	—	—
Write-offs and expirations	(4,386,916)	(9,335,954)	—
	₱484,929,859	₱318,340,224	₱160,357,672

The reconciliation of provision for income tax computed at the statutory income tax rates to provision for income tax as shown in the consolidated statements of comprehensive income are as follows:

	2016	2015	2014
Provision for income tax at various statutory income tax rates	₱2,388,797,757	₱1,925,372,345	₱2,027,841,314
Income tax effects of:			
Effect of different tax rate for royalty and franchise fees and interest income	(567,362,906)	(485,654,945)	(437,765,322)
Intrinsic value of stock options exercised	(208,494,315)	(109,091,659)	(368,250,335)
Nondeductible expenses	74,371,484	60,270,557	52,200,315
Difference between OSD and itemized deductions	(57,925,302)	(40,391,546)	(66,824,198)
Expired/written off NOLCO and excess of MCIT over RCIT	4,386,916	13,557,235	8,363,448
Net movement in unrecognized DTA	34,548,583	6,882,429	(1,598,671)
Others	8,288,840	17,663,498	56,562,988
	₱1,676,611,057	₱1,388,607,914	₱1,270,529,539

Provision for current income tax of foreign entities operating in United States, PRC and Singapore amounted to ₱67.63 million, ₱99.7 million and ₱1.3 million, respectively, in 2016, ₱36.1 million, ₱72.2 million and ₱2.4 million, respectively, in 2015, and ₱47.58 million, ₱16.97 million and ₱2.08 million, respectively, in 2014.

25. Pension Liability

Defined Benefit Plan

The Parent Company and certain Philippine-based subsidiaries have funded, independently-administered, non-contributory defined benefit pension plan covering all permanent employees. The benefits are based on the employees' projected salaries and number of years of service.



The funds are administered by trustee banks. Subject to the specific instructions provided in writing, the Parent Company and certain Philippine-based subsidiaries direct the trustee banks to hold, invest and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain cash and other short-term deposits, investments in government and corporate debt securities and quoted equity securities.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of pension expense, included under "Cost of sales" and "General and administrative expenses" accounts in the consolidated statements of comprehensive income and pension liability in the consolidated statements of financial position, which are based on actuarial valuations.

Changes in pension liability of the Jollibee Group in 2016 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2016	₱2,999,152,149	₱1,532,621,755	₱1,466,530,394
Pension expense (see Notes 21 and 22):			
Current service cost	252,341,938	—	252,341,938
Net interest	151,737,336	77,017,684	74,719,652
Past service cost	36,719,698	—	36,719,698
	440,798,972	77,017,684	363,781,288
Benefits paid	(100,873,629)	(100,873,629)	—
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	—	(62,051,910)	62,051,910
Actuarial changes arising from changes in financial assumptions	(73,382,299)	—	(73,382,299)
Actuarial changes due to experience adjustment	113,197,182	—	113,197,182
	39,814,883	(62,051,910)	101,866,793
Contributions	—	274,000,000	(274,000,000)
At December 31, 2016	₱3,378,892,375	₱1,720,713,900	₱1,658,178,475



Changes in pension liability of the Jollibee Group in 2015 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2015	₱2,329,211,722	₱1,496,821,472	₱832,390,250
Pension expense (see Note 21 and 22):			
Current service cost	244,819,845	–	244,819,845
Net interest	136,917,250	69,101,351	67,815,899
	381,737,095	69,101,351	312,635,744
Benefits paid	(85,855,905)	(85,855,905)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(47,445,163)	47,445,163
Actuarial changes arising from changes in financial assumptions	(367,215,450)	–	(367,215,450)
Actuarial changes due to experience adjustment	741,274,687	–	741,274,687
	374,059,237	(47,445,163)	421,504,400
Contributions	–	100,000,000	(100,000,000)
At December 31, 2015	₱2,999,152,149	₱1,532,621,755	₱1,466,530,394

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The following table presents the carrying amounts, which approximate the estimated fair values, of the assets of the plan:

	2016	2015
Cash and cash equivalents	₱369,024,145	₱202,421,524
Investments in government and corporate debt securities	1,075,581,380	1,097,109,433
Investments in quoted equity securities:		
Holding firms	142,307,558	125,772,547
Property	73,506,756	55,849,704
Food, beverage and tobacco	55,748,543	58,378,590
Banks	53,374,947	37,093,701
Electricity, energy, power and water	27,106,854	19,903,050
Telecommunications	17,038,203	17,092,000
Others	12,359,114	13,941,890
Interest and dividends receivable	17,545,271	16,367,289
Fund liabilities	(122,878,871)	(111,307,973)
	₱1,720,713,900	₱1,532,621,755



The plan assets consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 3.24%-7.38% and have maturities from August 2020 to October 2037 and fixed-rate treasury notes that bear interest ranging from 2.88%-11.70% and have maturities from March 2017 to October 2037.
- Investments in equity securities consist of investments in listed equity securities, including equity securities of the Parent Company, for certain retirement plans of the Jollibee Group (see Note 27).
- Investments in debt securities consist of long-term corporate bonds in the power sector, which bear interest ranging from 6.30%-7.75% maturing in April 2017.
- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

Pension expense as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension expense and liability for the defined benefit plans are shown below:

	December 31, 2016	December 31, 2015	January 1, 2015
Discount rate	5.20%-5.70%	5.00%-5.10%	4.60%-4.70%
Salary increase rate	6.00%	6.00%	7.00%

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

	December 31, 2016	
	Increase (Decrease)	Philippine Plan
Discount rates	+0.50 %	(P156,601,976)
	-0.50 %	169,836,115
Future salary increases	+0.50%	P167,757,071
	-0.50%	(156,240,393)
	December 31, 2015	
	Increase (Decrease)	Philippine Plan
Discount rates	+0.50 %	(P144,519,317)
	-0.50 %	156,998,632
Future salary increases	+0.50%	P154,737,578
	-0.50%	(143,898,307)



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2016	2015
Less than 1 year	₱492,012,508	₱424,284,936
More than 1 year to 5 years	1,036,201,553	904,330,471
More than 5 years to 10 years	1,996,377,531	1,687,578,041
More than 10 years to 15 years	2,301,591,104	2,066,460,644
More than 15 years to 20 years	2,451,602,447	2,136,735,328
More than 20 years	7,615,073,511	6,678,572,246

The Parent Company and certain Philippine-based subsidiaries do not have a formal asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trustee banks, in compliance with the Bangko Sentral ng Pilipinas requirements. Nevertheless, the Parent Company and certain Philippine-based subsidiaries ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk. Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the trustee banks maintain assets in cash and short-term deposits. Price risk pertains mainly to fluctuation in market prices of the retirement funds marketable securities. In order to effectively manage price risk, the trustee banks continuously assess these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The Parent Company and certain Philippine-based subsidiaries expect to contribute **₱555.0** million to the defined benefit pension plans in 2017.

The average duration of the defined benefit obligation is 10 years as at December 31, 2016 and 2015.

Defined Contribution Plan

The employees of the PRC-domiciled and USA-based subsidiaries of the Jollibee Group are members of a state-managed pension benefit scheme operated by the national governments. These subsidiaries are required to contribute a specified percentage of their payroll costs to the pension benefit scheme to fund the benefits. The only obligation of these subsidiaries with respect to the pension benefit scheme is to make the specified contributions.

Pension expense under the defined contribution plan amounted to **₱192.3** million, **₱159.3** million and **₱125.7** million in 2016, 2015, and 2014 respectively.

26. Stock Options Plan

Senior Management Stock Option and Incentive Plan

On December 17, 2002, the SEC approved the exemption requested by the Jollibee Group on the registration requirements of the 101,500,000 options underlying the Parent Company's common shares to be issued pursuant to the Jollibee Group's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the Jollibee Group.



The Plan is divided into two programs, namely, the Management Stock Option Program (MSOP) and the Executive Long-term Incentive Program (ELTIP). The MSOP provides a yearly stock option grant program based on company and individual performance while the ELTIP provides stock ownership as an incentive to reinforce entrepreneurial and long-term ownership behavior of executive participants.

MSOP. The MSOP is a yearly stock option grant program open to members of the senior management committee of the Jollibee Group and members of the management committee, key talents and designated consultants of some of the business units.

Each MSOP cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. Vesting is conditional on the employment of the employee-participants in the Jollibee Group within the vesting period. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date until the third anniversary.

The exercise price of the stock options is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of grant for the 1st up to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the market closing price at date of grant.

For instance, on July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the grant date. One-third of the options granted, or 795,000 options, vested and exercised starting July 1, 2005. The options have expired on June 30, 2012. From July 1, 2005 to 2016, the Compensation Committee granted series of MSOP grants under the 2nd to 13th MSOP cycle to eligible participants.

On September 9, 2016 the Compensation Committee granted 2,865,500 options under the 13th MSOP cycle to eligible participants. These options are similar to the 1st MSOP cycle. The 2nd, 3rd, 4th and 5th MSOP cycles expired on June 30, 2013, 2014, 2015 and 2016, respectively.

The movements in the number of stock options outstanding and related weighted average exercise prices (WAEP) are as follows:

	2016		2015		2014	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options granted as at end of year	42,986,294	₱92.47	40,120,794	₱82.22	36,863,194	₱73.58
Outstanding at beginning of year	14,868,437	₱133.32	13,609,275	₱117.51	16,915,937	₱83.77
Options granted during the year	2,865,500	236.00	3,257,600	179.99	3,459,000	178.66
Options exercised during the year	(2,259,125)	87.40	(1,380,628)	100.42	(6,765,662)	63.57
Options forfeited during the year	(218,614)	129.31	(617,810)	104.73	—	—
Outstanding at end of year	15,256,198	₱159.46	14,868,437	₱133.32	13,609,275	₱117.51
Exercisable at end of year	9,141,965	₱128.20	8,262,670	₱100.95	6,865,265	₱79.42

The weighted average share price of the Parent Company common shares is ₱227.53, ₱206.05 and ₱181.34 in 2016, 2015 and 2014, respectively. The weighted average remaining contractual life for the stock options outstanding as at December 31, 2016, 2015 and 2014 is 5.17 years, 5.19 years and 5.83 years, respectively.

The weighted average fair value of stock options granted in 2016, 2015 and 2014 is ₱31.16, ₱26.13 and ₱32.39, respectively. The fair value of share options as at the date of grant is



estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because the option plan allows exercise before the expiry date.

The inputs in the valuation of the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5-7 years	P24.00	P20.00
2 nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3 rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4 th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5 th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6 th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7 th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8 th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9 th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10 th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11 th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13 th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

ELTIP. The ELTIP entitlement is given to members of the senior management committee and designated consultants of the Jollibee Group.

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Actual grant and vesting is conditional upon achievement of the Jollibee Group's medium to long-term goals and individual targets in a given period, and the employment of the employee-participants in the Jollibee Group within the vesting period. If the goals are achieved, the options will be granted. For the 3rd ELTIP cycle, a percentage of the options to be granted are based on the percentage of growth in annual earnings per share such that 100%, 50% or 25% of the options granted when percentage of growth in annual earnings per share are 12% and above, 10% to less than 12% or 8% to less than 10%, respectively. For the 4th ELTIP cycle, the percentage of the options to be granted and the targeted percentage of growth in annual earnings per share have been further revised such that 150%, 100% or 50% of the options granted when percentage of growth in annual earnings per share are 15% and above, 12% to less than 15% or 10% to less than 12%, respectively.

The exercise price of the stock options under ELTIP is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of entitlement for the first and second ELTIP cycles. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as of the date of entitlement.



The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals were achieved. For instance, on July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. One-third of the options granted, or 7,583,333 options, vested and exercised starting July 1, 2007. The options have expired on June 30, 2012. On July 1, 2008, October 19, 2012 and August 25, 2015, entitlement to 20,399,999, 24,350,000 and 11,470,000 options were given to eligible participants under the 2nd, 3rd and 4th ELTIP cycles, respectively.

The Jollibee Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding for the 2nd to 4th ELTIP cycles and related WAEP for the years ended December 31, 2016, 2015 and 2014 follow:

	2016		2015		2014	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options given as at end of year	78,969,999	₱74.58	78,969,999	₱74.58	67,499,999	₱56.66
Outstanding at beginning of year	38,344,999	₱117.74	31,270,560	₱90.06	37,186,110	₱82.51
Options granted during the year	—	—	11,470,000	180.00	—	—
Options exercised during the year	(2,892,770)	59.59	(3,728,468)	79.46	(5,665,977)	39.85
Options forfeited during the year	(333,333)	105.00	(667,093)	105.00	(249,573)	105.00
Outstanding at end of year	35,118,896	₱122.65	38,344,999	₱117.74	31,270,560	₱90.06
Exercisable at end of year	15,615,420	₱89.60	10,808,048	₱70.59	7,170,133	₱39.85

The weighted average remaining contractual life for the stock options outstanding as of 2016, 2015 and 2014 is 4.00 years, 4.85 years and 4.85 years, respectively.

The fair value of stock options granted is ₱26.13 in 2015 and ₱22.96 in 2014. There were no additional stock option grants under ELTIP in 2016. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date. The stock options granted under the 2nd, 3rd and 4th ELTIP cycles will expire on April 30, 2017, 2020 and 2023, respectively.

The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

ELTIP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2 nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3 rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00
4 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The cost of the stock options expense charged to operations for both MSOP and ELTIP in the “General and administrative expenses” account amounted to ₱241.3 million, ₱173.2 million and ₱166.5 million in 2016, 2015 and 2014, respectively (see Note 22). Correspondingly, a credit was made to additional paid-in-capital.



27. Related Party Transactions

The Jollibee Group has transactions with related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Jollibee Group, including holding companies, subsidiaries and fellow subsidiaries are related entities of the Jollibee Group. Individuals owning, directly or indirectly, an interest in the voting power of the Jollibee Group that give them significant influence over the enterprise; key management personnel, including directors and officers of the Jollibee Group, and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

Compensation of Key Management Personnel of the Jollibee Group

The aggregate compensation and benefits to key management personnel of the Jollibee Group in 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Salaries and short-term benefits	₱1,001,047,551	₱798,882,199	₱687,549,458
Stock options expense (see Note 26)	241,323,679	173,211,693	166,490,888
Net pension expense	59,701,319	47,583,693	59,134,502
Employee car plan and other long-term benefits	47,673,471	42,803,342	41,335,689
	₱1,349,746,020	₱1,062,480,927	₱954,510,537

Transactions with the Retirement Plans

As at December 31, 2016 and 2015, certain retirement funds of the Jollibee Group include investment in equity securities of the Parent Company with details as follows:

	2016	2015
Number of shares	192,860	188,390
Market value	₱37,414,840	₱41,257,410
Cost	9,187,048	8,205,035
Unrealized gain	₱28,227,792	₱33,052,375

The Jollibee Group's receivable from retirement fund amounted to ₱119.7 million and ₱109.6 million as at December 31, 2016 and 2015, respectively. The receivable arose from benefit payments made by the Jollibee Group for and in behalf of the retirement plan. The receivable is noninterest-bearing.

Transactions with a Joint Venture

As at December 31, 2016 and 2015, the Jollibee Group has outstanding advances to SuperFoods Group. The terms of these advances are disclosed in Note 11.

Terms and Conditions of Transactions with other Related Parties

Transactions with related parties are made at market prices and are normally settled in cash. Other related party transactions between entities under the Jollibee Group are eliminated in the consolidation process.



28. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2016	2015	2014
(a) Net income attributable to the equity holders of the Parent Company	₱6,164,735,373	₱4,928,236,228	₱5,361,978,768
(b) Weighted average number of shares - basic	1,072,616,009	1,067,293,108	1,056,590,489
Weighted average number of shares outstanding under the stock options plan	38,387,061	42,717,799	51,249,701
Weighted average number of shares that would have been purchased at fair market value	(18,545,923)	(21,689,263)	(25,692,236)
(c) Adjusted weighted average shares - diluted	1,092,457,147	1,088,321,644	1,082,147,954
EPS:			
Basic (a/b)	₱5.747	₱4.618	₱5.075
Diluted (a/c)	5.643	4.528	4.955

Potential common shares for stock options under the 13th MSOP cycle were not included in the calculation of the diluted EPS in 2016 because they are antidilutive. Contingently issuable shares for stock options under the 4th ELTIP cycle have not been included in the calculation of the diluted EPS in 2016 and 2015.

29. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for quick service restaurant outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Contingent rent expense amounted to ₱1,703.3 million, ₱1,428.2 million and ₱1,322.5 million in 2016, 2015 and 2014, respectively.

The future minimum lease payments for the noncancellable periods of the operating leases follows:

	2016	2015	2014
Within one year	₱1,546,660,612	₱1,532,583,258	₱1,669,685,553
After one year but not more than five years	5,916,716,586	5,581,731,024	6,449,433,284
More than five years	8,093,585,035	6,443,630,529	4,897,338,004
	₱15,556,962,233	₱13,557,944,811	₱13,016,456,841

Rent expense recognized on a straight-line basis amounted to ₱8,704.5 million, ₱7,841.9 million and ₱7,072.7 million in 2016, 2015 and 2014, respectively (see Notes 21 and 22). The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements are charged to "Operating lease payables" account which amounted to ₱1,792.9 million and ₱1,615.6 million as at December 31, 2016 and 2015, respectively.



b. Operating lease commitments - Jollibee Group as lessor

The Jollibee Group entered into commercial property leases for its investment property units and various sublease agreements. Noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Leases generally include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions.

The future minimum lease payments for the noncancellable periods of the operating leases, wherein Jollibee Group is the lessor, follow:

	2016	2015	2014
Within one year	₱142,011,358	₱63,358,455	₱55,256,411
After one year but not more than five years	393,153,622	244,123,192	199,537,668
More than five years	184,929,589	598,950,095	432,616,032
	₱720,094,569	₱906,431,742	₱687,410,111

Rent income recognized on a straight-line basis amounted to ₱91.4 million, ₱92.4 million and ₱90.6 million in 2016, 2015 and 2014, respectively (see Note 20). The difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease are included under "Operating lease receivables" which amounted to ₱26.0 million and ₱12.5 million as at December 31, 2016 and 2015, respectively.

c. Contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the Jollibee Group. Thus, other than the provisions in Note 17, there were no other provisions made for contingencies.

The Jollibee group does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.

30. Financial Risk Management Objectives and Policies

The Jollibee Group is exposed to a variety of financial risks from its operating, investing and financing activities. The Jollibee Group's risk management policies focus on actively securing the Jollibee Group's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Jollibee Group's principal financial instruments comprise of cash and cash equivalents, short-term investments and receivables. The main purpose of these financial instruments is to obtain financing for the Jollibee Group's operations. The Jollibee Group has other financial assets and liabilities such as other noncurrent assets and trade payables and other current liabilities which arise directly from its operations.

The main risks arising from these financial instruments are equity price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies for managing each of these risks are summarized as follows:



Interest Rate Risk

Interest rate risk arises from the possibility that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Jollibee Group's exposure to interest rate risk relates primarily to long-term debt with floating interest rates. Floating rate financial instruments are subject to cash flow interest rate risk. The Jollibee Group's interest rate exposure management policy centers on reducing the Company's overall interest expense and exposure to changes in the interest rates.

To manage the interest rate risk related to the Jollibee Group's long-term debt, the Jollibee Group used a derivative instrument to fix the interest rate over the term of two of its long-term debts (see Note 18). With the Jollibee Group's Corporate Planning team, it enters into loan contracts with variable interest rates and option to fix interest rates which can be availed to manage its loan risks.

There is minimal exposure on the other sources of the Jollibee Group's interest rate risk. These other sources are from the Jollibee Group's cash in bank, short-term deposits and short-term investments.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's equity as at December 31, 2015 and 2014. The impact on the Company's equity is due to changes in the fair value of floating interest rates.

Long-term Debt with Floating Interest Rates

	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax
2016		
USD	+100	(87,706,080)
	-100	87,706,080
PHP	+100	(33,847,576)
	-100	33,847,576
	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax
2015		
USD	+100	(72,660,640)
	-100	72,660,640
PHP	+100	(24,525,646)
	-100	24,525,646

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. The net assets of foreign businesses account for only 5.74% and 6.23% of the consolidated net assets of the Jollibee Group as at December 31, 2016 and 2015, respectively, and the businesses have been rapidly growing.

The Jollibee Group also has transactional foreign currency exposures. Such exposure arises from the Jollibee Group's Philippine operations' cash and cash equivalents and receivables in foreign currencies.



The following table shows the Jollibee Group's Philippine operations' foreign currency-denominated monetary assets and their peso equivalents as at December 31, 2016 and 2015:

	2016			2015		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	686,392	8,078	34,185,249	569,392	8,076	26,854,314
Receivables	4,967,116	6,755,220	295,332,383	269,926	—	12,702,717
Total exposure	5,653,508	6,763,298	329,517,632	839,318	8,076	39,557,031

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in profit or loss, foreign currency exchange gains, included under "Other income" account, which amounted to a net foreign exchange gain of ₱41.5 million and ₱36.8 million in 2016 and 2015, respectively, and net foreign exchange loss of ₱1.1 million on its net foreign currency-denominated assets in 2014 (see Note 23). This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	USD	RMB
December 31, 2016	49.72	7.16
December 31, 2015	47.06	7.27

The following table demonstrates the sensitivity to a reasonably possible change in USD and RMB to Philippine peso exchange rate, with all other variables held constant, of the Jollibee Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as at December 31, 2016 and 2015:

	2016		2015	
	Effect on Income before Income Tax	Effect on Equity before Income Tax	Effect on Income before Income Tax	Effect on Equity before Income Tax
Appreciation (Depreciation) of ₱ against Foreign Currency				
<i>(In Thousands)</i>				
USD				
₱1.50	(₱8,480)	(₱8,480)	(₱1,259)	(₱1,259)
(1.50)	8,480	8,480	1,259	1,259
1.00	(5,654)	(5,654)	(839)	(839)
(1.00)	5,654	5,654	839	839
RMB				
0.95	(6,425)	(6,425)	(7.7)	(7.7)
(0.95)	6,425	6,425	7.7	7.7
0.63	(4,261)	(4,261)	(5.1)	(5.1)
(0.63)	4,261	4,261	5.1	5.1

Equity Price Risk

The Jollibee Group is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in club shares.

Credit Risk

Credit risk is the risk that a customer or counterparty fails to fulfill its contractual obligations to the Jollibee Group. This includes risk of non-payment by borrowers, failed settlement of transactions and default on outstanding contracts.



The Jollibee Group has a strict credit policy. Its credit transactions are with franchisees and customers that have gone through rigorous screening before granting them the franchise. The credit terms are very short, while deposits and advance payments are also required before rendering the service or delivering the goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are not tolerated; the exposure is contained the moment a default occurs and transactions that will further increase the exposure of the Jollibee Group are discontinued.

The Jollibee Group has no significant concentration of credit risk with counterparty. The Jollibee Group's franchisee profile is such that no single franchisee accounts for more than 5% of the total system wide sales of the Jollibee Group.

The aging analysis of loans and receivables as at December 31, 2016 and 2015 are as follows:

2016							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
			(In Millions)				
Cash and cash equivalents*	₱16,437.6	₱16,437.6	₱-	₱-	₱-	₱-	₱-
Short-term investments	726.0	726.0	-	-	-	-	-
Receivables:							
Trade	3,608.6	1,777.6	448.6	77.4	78.9	646.3	579.8
Employee car plan receivables**	214.0	205.2	1.3	0.7	0.9	5.9	-
Advances to employees	112.7	112.7	-	-	-	-	-
Other receivables***	132.8	125.2	1.5	0.7	-	5.4	-
Other noncurrent assets:							
Security and other deposits	2,103.7	2,103.7	-	-	-	-	-
Operating lease receivables	26.0	26.0	-	-	-	-	-
	23,361.4	21,514	451.4	78.8	79.8	657.6	579.8
AFS Financial Assets	26.2	26.2	-	-	-	-	-
	₱23,387.6	₱21,540.2	₱451.4	₱78.8	₱79.8	₱657.6	₱579.8

2015							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
			(In Millions)				
Cash and cash equivalents*	₱11,204.8	₱11,204.8	₱-	₱-	₱-	₱-	₱-
Short-term investments	922.3	922.3	-	-	-	-	-
Receivables:							
Trade	5,575.2	2,646.5	711.8	183.0	416.7	1,097.1	520.1
Employee car plan receivables**	197.6	197.6	-	-	-	-	-
Advances to employees	154.7	154.7	-	-	-	-	-
Other receivables***	145.2	145.2	-	-	-	-	-
Other noncurrent assets:							
Security and other deposits	1,795.0	1,795.0	-	-	-	-	-
Operating lease receivables	12.5	12.5	-	-	-	-	-
	20,007.3	17,078.6	711.8	183.0	416.7	1,097.1	520.1
AFS Financial Assets	21.5	21.5	-	-	-	-	-
	₱20,028.8	₱17,100.1	₱711.8	₱183.0	₱416.7	₱1,097.1	₱520.1

*Excluding cash on hand amounting to P295.7 million and P292.8 million in 2016 and 2015, respectively.

**Including noncurrent portion of employee car plan receivables.

***Excluding receivables from government agencies amounting to P19.1 million and P10.3 million in 2016 and 2015, respectively.



Credit Risk Exposure. The tables below show the maximum exposure to credit risk of the Jollibee Group as at December 31, 2016 and 2015 without considering the effects of collaterals and other credit risk mitigation techniques:

2016			
	Gross Maximum Exposure	Fair Value and Financial Effect of Collateral or Credit Enhancement	Net Exposure
	(a)	(b)	(c) = (a) - (b)
<i>(In Millions)</i>			
Financial Assets			
Cash and cash equivalents*	₱16,437.6	₱236.8	₱16,200.8**
Short-term investments	726.0	—	726.0
Receivables:			
Trade	3,028.8	81.7	2,947.1***
Employee car plan receivables	214.0	—	214.0
Advances to employees	112.7	—	112.7
Other receivables****	132.8	—	132.8
Other noncurrent assets:			
Security and other deposits	2,103.7	—	2,103.7
Operating lease receivables	26.0	—	26.0
AFS financial asset	26.2	—	26.2
	₱22,807.8	₱318.5	₱22,489.3
2015			
	Gross Maximum Exposure	Fair Value and Financial Effect of Collateral or Credit Enhancement	Net Exposure
	(a)	(b)	(c) = (a) - (b)
<i>(In Millions)</i>			
Financial Assets			
Cash and cash equivalents*	₱11,204.8	₱223.3	₱10,981.5**
Short-term investments	922.3	—	922.3
Receivables:			
Trade	5,055.1	137.7	4,917.4***
Employee car plan receivables	197.6	—	197.6
Advances to employees	154.7	—	154.7
Other receivables****	145.2	—	145.2
Other noncurrent assets:			
Security and other deposits	1,795.0	—	1,795.0
Operating lease receivables	12.5	—	12.5
AFS financial asset	21.5	—	21.5
	₱19,508.7	₱361.0	₱19,147.7

* Excluding cash on hand amounting to ₱295.7 million and ₱292.8 million in 2016 and 2015, respectively.

** Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.

*** Gross financial assets after taking into account payables to the same counterparty.

**** Excluding receivables from government agencies amounting to ₱19.1 million and ₱10.3 million in 2016 and 2015, respectively.

With respect to credit risk arising from financial assets of the Jollibee Group, the Jollibee Group's exposure to credit risk arises from default of the counterparty, with a gross maximum exposure equal to the carrying amount of these instruments.



Credit Quality. The tables below show the credit quality by class of financial assets that are neither past due nor impaired, based on the Jollibee Group's credit rating system as at December 31, 2016 and 2015.

	2016				
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
	(In Millions)				
Receivables					
Trade	P3,608.6	P744.5	P946.7	P86.4	P1,831.0
Employee car plan receivables*	214.0	205.2	—	—	8.8
Advances to employees	112.7	112.7	—	—	—
Other receivables**	132.8	125.2	—	—	7.6
AFS financial asset	26.2	26.2	—	—	—
	P4,094.3	P1,213.8	P946.7	P86.4	P1,847.4

	2015				
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
	(In Millions)				
Receivables					
Trade	P5,575.2	P1,684.0	P422.4	P540.1	P2,928.7
Employee car plan receivables*	197.6	197.6	—	—	—
Advances to employees	154.7	154.7	—	—	—
Other receivables**	145.2	145.2	—	—	—
AFS financial asset	21.5	21.5	—	—	—
	P6,094.2	P2,203.0	P422.4	P540.1	P2,928.7

*Including noncurrent portion of employee car plan receivables.

**Excluding receivables from government agencies amounting to P19.1 million and P10.3 million in 2016 and 2015, respectively.

The credit quality of financial assets is managed by the Jollibee Group using internal credit ratings, as shown below:

- A - For counterparty that is not expected by the Jollibee Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, certain related parties and customers who pay on or before due date.
- B - For counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Jollibee Group. The delays may be due to cut-off differences and/or clarifications on contracts/billings.
- C - For counterparty who consistently defaults in settling its obligation, but with continuing business transactions with the Jollibee Group, and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval by management. Thereafter, the regular credit term and normal billing and collection processes will resume.

Liquidity Risk

The Jollibee Group's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced in a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Jollibee Group closely monitors its cash flows to be able to finance its capital expenditures and to pay its obligations as and when they fall due.



On a weekly basis, the Jollibee Group's Cash and Banking Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are available in time with the planned major expenditure. In addition, the Jollibee Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Jollibee Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations. No changes were made in the objectives, policies or processes of the Jollibee Group during the years ended December 31, 2016 and 2015.

The Jollibee Group's financial assets, which have maturity of less than 12 months and are used to meet its short-term liquidity needs, are cash and cash equivalents, short-term investments and trade receivables amounting to ₱16,733.3 million, ₱726.0 million and ₱3,028.8 million, respectively, as at December 31, 2016 and ₱11,497.6 million, ₱922.3 million and ₱5,055.1 million, respectively, as at December 31, 2015.

The tables below summarize the maturity profile of the Jollibee Group's financial liabilities based on the contractual undiscounted cash flows as at December 31, 2016 and 2015:

	2016				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Liabilities					
Trade payables and other current liabilities*	P=	₱20,098,956,480	P=	P=	₱20,098,956,480
Long-term debt (including current portion)	-	1,562,102,378	4,639,692,756	5,953,570,443	12,155,365,577
Operating lease payables	-	602,906,587	523,919,188	666,071,099	1,792,896,874
Total Financial Liabilities	P=	₱22,263,965,445	₱5,163,611,944	₱6,619,641,542	₱34,047,218,931

	2015				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Liabilities					
Trade payables and other current liabilities*	P=	₱18,042,933,951	P=	P=	₱18,042,933,951
Long-term debt (including current portion)	-	1,385,129,936	4,374,187,586	5,490,591,850	11,249,909,372
Liability for acquisition of businesses (including current portion)	-	94,852,231	-	-	94,852,231
Operating lease payables	-	205,976,178	486,815,789	922,847,531	1,615,639,498
Total Financial Liabilities	P=	₱19,728,892,296	₱4,861,003,375	₱6,413,439,381	₱31,003,335,052

*Excluding statutory obligations such as accrued local and other taxes, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates.

Capital Management Policy

Capital includes equity attributable to equity holders of the Parent Company.

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

The Jollibee Group generates cash flows from operations sufficient to finance its organic growth. It declares cash dividends representing at least one-third of its consolidated net income, a ratio that would still leave some additional cash for future expansion. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.



As at December 31, 2016 and 2015, the Jollibee Group's debt ratio and net debt ratio are as follows:

Debt Ratio

	2016	2015
Total debt (a)	₱38,446,947,773	₱33,006,458,507
Total equity attributable to equity holders of the Parent Company	33,602,216,078	30,623,224,057
Total debt and equity attributable to equity holders of the Parent Company (b)	₱72,049,163,851	₱63,629,682,564
Debt ratio (a/b)	53%	52%

Net Debt Ratio

	2016	2015
Total debt	₱38,446,947,773	₱33,006,458,507
Less cash and cash equivalents and short-term investments	17,459,348,479	12,419,876,641
Net debt (a)	20,987,599,294	20,586,581,866
Total equity attributable to equity holders of the Parent Company	33,602,216,078	30,623,224,057
Net debt and equity attributable to equity holders of the Parent Company (b)	₱54,589,815,372	₱51,209,805,923
Net debt ratio (a/b)	38%	40%

31. Fair Value of Financial Assets and Liabilities

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 measurement date.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables, operating lease receivables, trade payables and other current liabilities, short-term debt and operating lease payables, based on their notional amounts, reasonably approximate their fair values because of their short-term nature or due to the immaterial effect of discounting when the present value of future cash flows from these instruments are calculated.

AFS Financial Assets. The fair value of investments in quoted shares of stock is based on quoted prices. The Jollibee Group does not have the intention to dispose these financial assets in the near term.

Investment Properties. The fair value of the investment properties are determined by independent appraisers using the market data and cost approach, which considers the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties.



Security and Other Deposits, Employee Car Plan Receivables, Long-term Debt and Derivative Asset or Liability. Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and derivative assets or liability are based on the discounted value of future cash flows using applicable rates as follows:

	2016	2015
Security and other deposits	2.45%-5.38%	2.37%-7.25%
Employee car plan receivables	1.89%-4.74%	2.14%-6.55%
Derivative assets	2.08%-4.09%	0.81%-2.78%
Long-term debt	2.45%-4.74%	3.43%-3.71%
Derivative liability	0.95%-1.05%	0.96%-1.00%

The following tables provide the fair value measurement hierarchy of the Jollibee Group's recurring financial assets and liabilities.

Quantitative disclosure fair value measurement hierarchy for assets as at December 31, 2016:

	Carrying Value	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	P26,212,462	P26,212,462	P-	P26,212,462	P-
Derivative asset - cross currency swap	-	-	-	-	-
Derivative asset - put/call rights	78,329,324	78,329,324	-	-	78,329,324
Assets for which fair values are disclosed:					
Investment properties:	983,427,881	2,088,763,900	-	2,088,763,900	-
Land	983,427,881	1,876,624,900	-	1,876,624,900	-
Buildings	-	212,139,000	-	212,139,000	-
Other noncurrent assets:					
Security and other deposits	2,103,707,474	1,877,226,839	-	1,877,226,839	-
Employee car plan receivables	130,584,354	196,223,517	-	196,223,517	-

Quantitative fair value measurement hierarchy for assets as at December 31, 2015:

	Carrying Value	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	P21,462,462	P21,462,462	P-	P21,462,462	P-
Derivative asset - cross currency swap	9,868,242	9,868,242	-	9,868,242	-
Derivative asset - put/call rights	75,031,052	75,031,052	-	-	75,031,052
Assets for which fair values are disclosed:					
Investment properties:	998,113,494	1,414,303,072	-	1,414,303,072	-
Land	983,427,880	1,311,229,072	-	1,311,229,072	-
Buildings	14,685,614	103,074,000	-	103,074,000	-
Other noncurrent assets:					
Security and other deposits	1,794,988,953	1,894,451,261	-	1,894,451,261	-
Employee car plan receivables	130,156,134	138,222,669	-	138,222,669	-



Quantitative fair value measurement hierarchy for liabilities as at December 31, 2016:

	Date of Valuation	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Derivative liability	December 31, 2016	₱33,530,586	₱-	₱33,530,586	₱-
Liabilities disclosed at fair value:					
Product Security Deposit	December 31, 2016	171,782,052	-	171,782,052	-
Tenants' Deposit	December 31, 2016	12,780,764	-	12,780,764	-
Long-term debt	December 31, 2016	12,750,225,064	-	12,750,225,064	-

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2015:

	Date of Valuation	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Derivative liability	December 31, 2015	₱34,921,275	₱-	₱34,921,275	₱-
Contingent consideration	December 31, 2015	23,635,513	-	-	23,635,513
Liabilities disclosed at fair value:					
Long-term debt	December 31, 2015	10,558,419,087	-	10,558,419,087	-

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 during the year.

Description of significant unobservable input to the measurement of the derivative asset – put/call rights as at December 31, 2016 is as follows:

	Valuation Technique	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value
Derivative asset – put/call rights	Discounted cash flow method	Long-term growth rate used to calculate equity value	6.0% to 7.0%	Increase (decrease) in the long-term rate would increase (decrease) the fair value.

32. Events after the Reporting Period

Dividend Declaration

Parent Company. On April 5, 2017, the BOD approved a regular cash dividend of ₱1.00 per share of common stock to all stockholders of record as of April 21, 2017. Consequently, the cash dividend is expected to be paid out by May 5, 2017. The cash dividend is 16.3% higher than the ₱0.86 regular dividend per share declared on April 6, 2016.

Loan to SuperFoods

JWPL. On April 5, 2017, the BOD approved a US\$1.0 million shareholder loan to SuperFoods Group to finance its capital expenditures.

Joint Venture Agreement with Blackbird Holdings Pte. Ltd.

JWPL. On March 31, 2017, the Jollibee Group through GPPL, entered into a Joint Venture Agreement with Blackbird Holdings Pte. Ltd. (Blackbird) to own and operate the first Jollibee store in Italy. GPPL and Blackbird shall incorporate a Singapore company (the JV Company) to be owned by GPPL to the extent of 75% and to be owned by Blackbird to the extent of 25%. The



JV Company shall incorporate a wholly owned subsidiary in Italy to own and operate the Jollibee store.

Additional Capital Contribution to SJBF LLC

JWPL. On March 14, 2017, the BOD approved an additional capital contribution of US\$8.0 million to SJBF LLC through the Jollibee Group's wholly owned subsidiary, Bee Good! Inc.

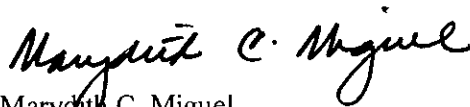


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Jollibee Foods Corporation and Subsidiaries
10th Floor, Jollibee Plaza Building
10 F. Ortigas Jr. Ave., Ortigas Center
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Jollibee Foods Corporation and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated April 5, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Jollibee Group's management. These schedules are presented for the purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not a part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Marydell C. Miguel
Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908731, January 3, 2017, Makati City

April 5, 2017



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2016

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Statement of Management's Responsibility for Financial Statements
Independent Auditors' Report
Consolidated Statements of Financial Position as at December 31, 2016 and 2015
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Changes in Equity
For the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Cash Flows
For the years ended December 31, 2016, 2015 and 2014
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Supplementary Schedules

Independent Auditors' Report on Supplementary Schedules

SRC Annex 68-E Schedules

- A. Financial Assets (Temporary Investments, Time Deposits and Available-for-sale Investments)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
- D. Intangible Assets - Other Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties*
- G. Guarantees of Securities of Other Issuers*
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Financial Ratios - Key Performance Indicators

Reconciliation of Retained Earnings for Dividend Declaration

Tabular Schedule of Effective Standards and Interpretations under the PFRS

Conglomerate Map

** These schedules, which are required by SRC Rule 68.1, As Amended (2011), have been omitted because they are not applicable.*

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
SCHEDULE A: FINANCIAL ASSETS - Temporary Investments, Time Deposits and Available-For-Sale Investments
FOR THE YEAR ENDED DECEMBER 31, 2016

	Name of Issuing Entity and Association of each use	Amount shown in the Balance Sheet	Income received and accrued
<i>(Amounts in thousands)</i>			
<i>Loans and Receivables</i>			
Cash in banks and cash equivalents and short-term investments	N/A	P17,459,348	P136,672
Trade receivables	N/A	3,028,791	-
Employee car plan receivables	N/A	213,967	-
Receivable from sale of business	N/A	286,448	-
Advances to employees	N/A	112,652	-
Other receivables	N/A	151,876	-
Security and other deposits	N/A	2,103,707	-
Operating lease receivables	N/A	25,995	-
		23,382,784	136,672
<i>AFS Financial Assets:</i>			
Equity investments	Manila Polo Club	13,000	-
Equity investments	Tagaytay Highlands	6,600	-
Equity investments	Manila Electric Company	1,552	-
Equity investments	Philippine Long Distance Telecommunications	1,096	-
Equity investments	The Rockwell Club	600	-
Equity investments	Tagaytay Midlands	550	-
Equity investments	The Palms Country Club	450	-
Equity investments	Valle Verde Country Club, Inc.	400	-
Equity investments	Club Filipino	170	-
Equity investments	Others	1,794	-
		26,212	-
<i>Derivative Assets</i>			
		78,329	-
Total Financial Assets		P23,487,325	P136,672

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
SCHEDULE C: RECEIVABLE FROM RELATED PARTIES ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Name of Debtor	Balance at beginning of year	Additions	Amount collected	Amounts		Current	Noncurrent	Balance at end of year
				written off	(Amounts in thousands)			
Jollibee Foods Corporation	P1,738,608	P10,284,916	(P10,088,200)	P-	P1,935,324	P-		P1,935,324
Burger King Entities	680,570	342,213	-	-	1,022,783	-		1,022,783
Freemont Foods Corporation	976,530	6,577,591	(6,726,217)	-	827,904	-		827,904
Iloneybee Foods Corporation	429,319	235,335	-	-	664,654	-		664,654
Jollibee Worldwide Pte. Ltd.	575,769	583,186	(678,716)	-	480,239	-		480,239
Jollibee Vietnam Corporation Ltd.	235,643	43,846	-	-	279,489	-		279,489
Fresh N' Famous Foods, Inc.	206,668	2,147,524	(2,155,803)	-	198,389	-		198,389
Tokyo Teriyaki Corporation	50,749	64,428	-	-	115,177	-		115,177
Red Ribbon Bakeshop, Inc. (USA)	53,746	28,141	-	-	81,887	-		81,887
Zenith Foods Corporation	78,219	235,378	(242,034)	-	71,563	-		71,563
Jollibee (China) Food & Beverage Management Co. Ltd.	61,537	7,414	-	-	68,951	-		68,951
Mang Inasal Philippines Inc.	37,623	727,202	(704,312)	-	60,513	-		60,513
Golden Bee works Pte. Ltd.	22,530	28,702	(13,107)	-	38,125	-		38,125
Red Ribbon Bakeshop, Inc.	74,691	474,720	(512,606)	-	36,805	-		36,805
Grandworth Resources Corporation	417	2,074	(2,491)	-	-	-		-
Others	4,683	1,901	(2,809)	-	3,775	-		3,775
	P5,227,302	P21,784,571	(P21,126,295)	P-	P5,885,578	P-		P5,885,578

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
SCHEDULE D: INTANGIBLE ASSETS - OTHER ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Other changes additions (deductions)	Ending balance
Goodwill	P6,822,526,341	P166,931,008	P--	(P447,035,533)	P6,542,421,816
Trademark	2,004,255,942	--	--	--	2,004,255,942
Computer software	559,241,901	14,584,777	(60,489,516)	--	513,337,162
Other intangible assets, net of accumulated amortization	26,110,015	9,120,804	(8,503,390)	--	26,727,429
Total	P9,412,134,199	P190,636,589	(P68,992,906)	(P447,035,533)	P9,086,742,349

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
SCHEDULE E: LONG - TERM DEBT
FOR THE YEAR ENDED 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 Balance Sheet	Caption "Noncurrent Portion of Long-term Debt" in Related Balance Sheet
US dollar-denominated:			
Ten-year unsecured loan	₱5,469,200,000	₱607,688,778	₱4,861,511,222
Five-year unsecured loan	621,500,000	497,200,000	124,300,000
Four-year unsecured loan	298,320,000	298,320,000	—
Eight-year unsecured loan	1,491,600,000	14,916,000	1,476,684,000
Six-year unsecured loan	397,760,000	3,977,600	393,782,400
Five-year unsecured loan	198,880,000	—	198,880,000
Five-year unsecured loan	293,348,000	—	293,348,000
Philippine peso-denominated:			
Five-year and six months unsecured loan	1,485,000,000	15,000,000	1,470,000,000
Five-year unsecured loan	800,000,000	—	800,000,000
Five-year unsecured loan	1,000,000,000	125,000,000	875,000,000
Five-year unsecured loan	110,000,000	—	110,000,000
Unamortized debt issue costs	(10,242,423)	(586,518)	(9,655,905)
Total	₱12,155,365,577	₱1,561,515,860	₱10,593,849,717

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
SCHEDULE H: CAPITAL STOCK
FOR THE YEAR ENDED DECEMBER 31, 2016

Title of issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of Shares Held by			
				Affiliates	Directors, officers and employees	Others	
Common Stock	1,450,000,000	1,057,676,081	2,413,984	190,243,267	423,003,498	2,413,984	

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS: KEY PERFORMANCE INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 and 2014

		<u>2016</u>	<u>2015</u>	<u>2014</u>
i.	Current ratio	1.27:1	1.29:1	1.26:1
		$\frac{\text{Current assets}}{\text{Current liabilities}}$		
ii.	Solvency ratio, debt-to-equity ratio	53:47	51:49	48:52
		$\frac{\text{Total liabilities}}{\text{Total equity}}$		
iii.	Asset to equity ratio	2.12	2.04	1.93
		$\frac{\text{Total assets}}{\text{Total equity}}$		
iv.	Interest rate coverage ratio	29.88	29.53	45.33
		$\frac{\text{Earnings before interest expense and taxes}}{\text{Interest expense}}$		
v.	Profitability ratio	5.71%	4.89%	5.91%
		$\frac{\text{Net income attributable to equity holders of the Parent Company}}{\text{Total revenues}}$		

**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION**
As at December 31, 2016

JOLLIBEE FOODS CORPORATION
10/F Jollibee Plaza Building
10 F. Ortigas Jr. Ave.,
Ortigas Center, Pasig City

Unappropriated Retained Earnings, beginning	₱12,768,905,487
Adjustments:	
Deferred tax assets - net, beginning	(1,154,216,292)
Accretion of interest on financial assets, beginning	(11,138,406)
Unappropriated retained earnings, as adjusted, beginning	<u>11,603,550,789</u>
Add: Net income actually earned/realized during the period	
Net income of the Parent Company closed to Retained Earnings	5,218,054,078
Less: Non-actual/unrealized income (loss)	
Benefit from deferred income tax	(590,368,751)
Accretion of interest on financial assets	(12,184,517)
Net income actually earned/realized during the year	<u>4,615,500,810</u>
Less:	
Additional appropriation for future expansion	(8,000,000,000)
Dividend declarations during the year	(1,992,242,685)
Treasury shares	(180,511,491)
Unappropriated Retained Earnings Available for Dividend Declaration, Ending	<u>₱6,046,297,423</u>

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS
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 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Method of Disposal			✓
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 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			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to Condensed Interim Financial Statements	✓		
PFRS 9	Financial Instruments*	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Financial Instruments - New hedge accounting requirements*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 12: Clarification of the Scope of the Standard*	Not Early Adopted		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not Early Adopted		
PFRS 16	Leases*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative*	Not Early Adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12 - Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*	Not Early Adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Employee Benefits - Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information Elsewhere in the Interim Financial Report	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of 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: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner Occupied Property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property*	Not Early Adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economics			✓
IFRIC 8	Scope of PFRS 2			✓
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 11	PFRS 2 - Group and Treasury Share Transactions	✓		
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	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC-12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		

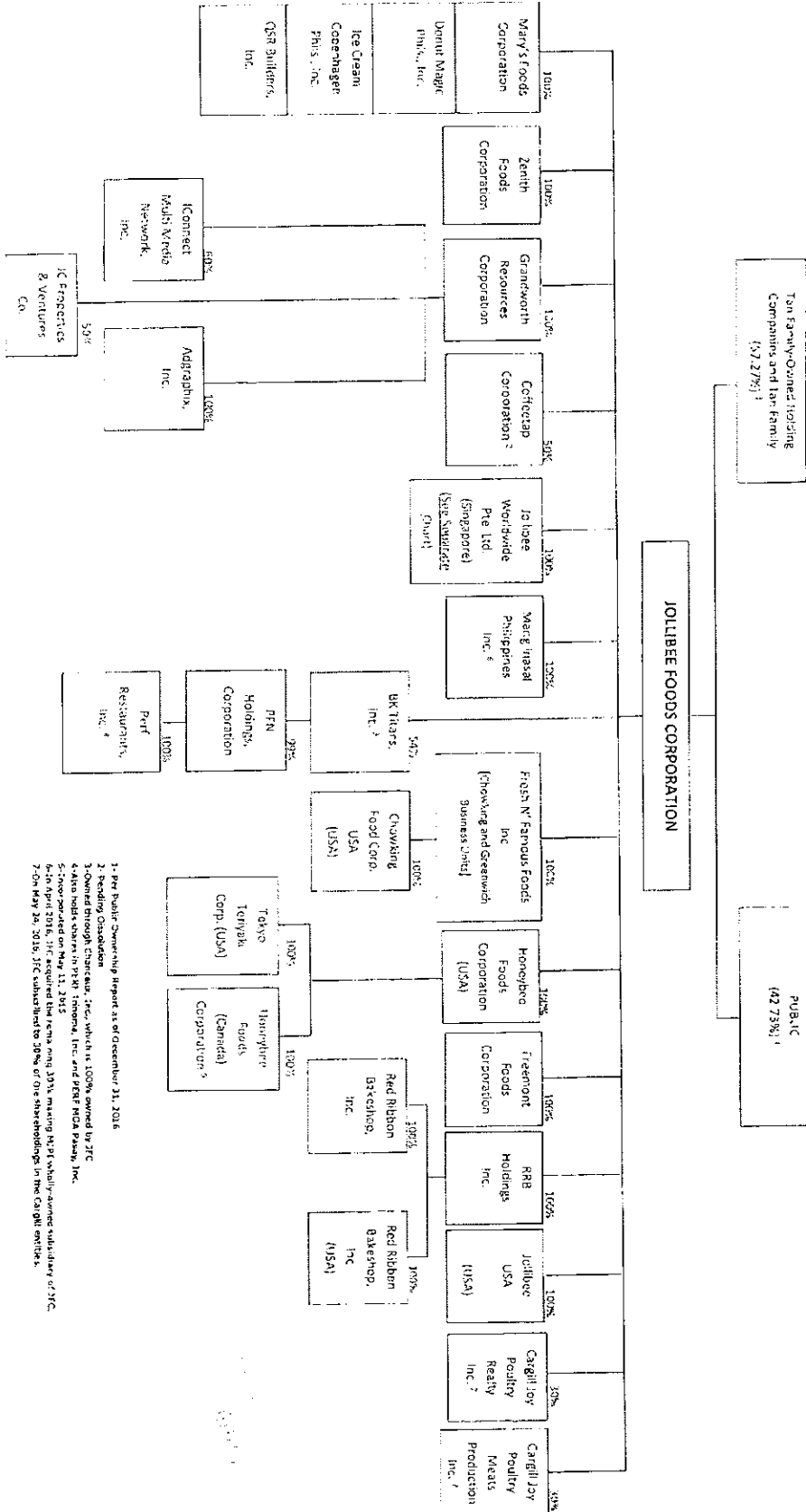
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
With Deferred Effective Date: Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*		Not Early Adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2016.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2016.

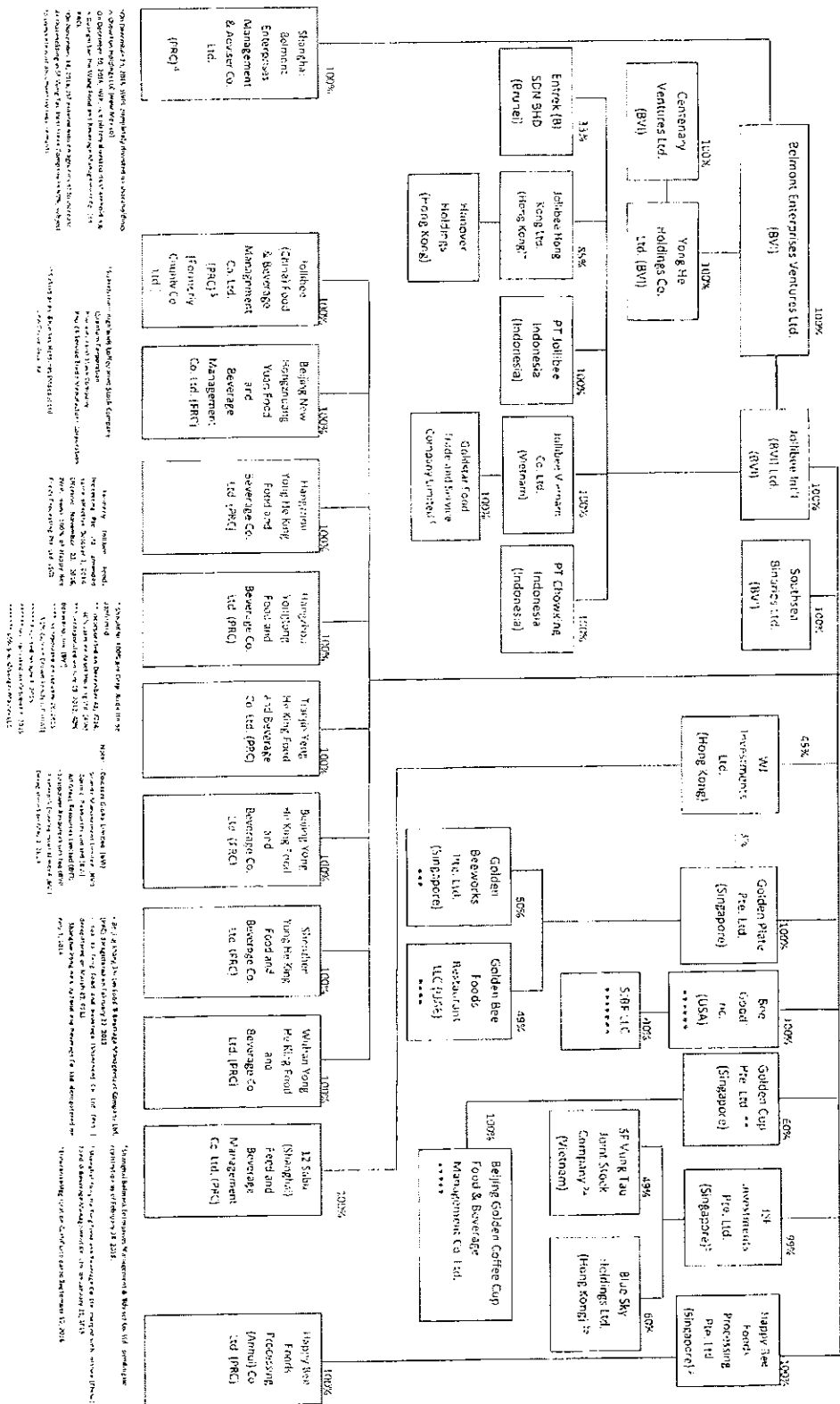
JOLLIBEE GROUP OF COMPANIES

Legal Structure as of December 31, 2016



1- Per Public Ownership Report as of December 31, 2016
 2- Pending Observation
 3- Owned through Chowking, Inc., which is 100% owned by JFC
 4- Also holds shares in PTN, Tastybuc, Inc. and PTN MCA Pasty, Inc.
 5- Also owned on May 11, 2015
 6- In April 2016, JFC acquired the items may 30% making JFC wholly-owned subsidiary of JFC
 7- On May 24, 2016, JFC submitted to 30% of the shareholdings in the Carrell entities.

JOLLIBEE WORLDWIDE PTE. LTD. (Singapore)
as of December 31, 2016



Annex “C-2”

Audited Parent
Financial Statements
for the year ended
December 31, 2016

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

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

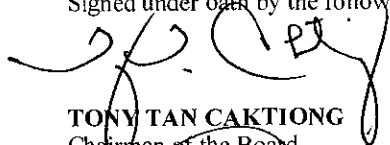
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

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

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

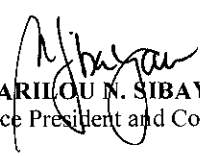
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of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

Signed under oath by the following:


TONY TAN CAKTIONG
Chairman of the Board


ERNESTO TANMANTIONG
President and Chief Executive Officer


YSMAEL V. BAYSA
Chief Financial Officer


MARILOU N. SIBAYAN
Vice President and Comptroller - Worldwide

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)S.S

Before me, a notary public in and for the city named above, personally appeared the following:

Name	Competent Evidence of Identity
Tony Tan Caktiong	SSS Number: 03-5003942-0
Ernesto Tanmantiong	SSS Number: 03-6292699-0
Ysmael V. Baysa	SSS Number: 03-4228219-1
Marilou N. Sibayan	SSS Number: 03-9964176-9

Who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took on oath before me as to such instrument.

Witness my hand and seal this 05 APR 2017.

Doc. No. 37
Page No. 9
Book No. 3
Series of 2017


ANNE KENIL G. TAN
Notary Public in and for the City of Pasig
Notarial Commission No. 1767, issued on September 24, 2014
14F Jollibee Plaza, 13 E. Ortigas Ave. Alabang, Muntinlupa City 1605
PTR No. 150823 issued on January 3, 2015 Pasig City
IBP No. 012756 Lifetime Member-Pasig City
Roll of Attorney No. 63761

**AFTER THE BIR HAS DULY
STAMPED "RECEIVED"**

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						7	7	4	8	7

COMPANY NAME

[illegible]

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

[illegible]

Form Type

A	A	F	S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

president@jollibee.com.ph

Company's Telephone Number

(02) 634 - 1111

Mobile Number

No. of Stockholders

3,075

Annual Meeting (Month / Day)

**Any day in the month of
June**

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Ysmael V. Baysa

Email Address

yvb@jollibee.com.ph

Telephone Number/s

688-7104

Mobile Number

—

CONTACT PERSON'S ADDRESS

10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City

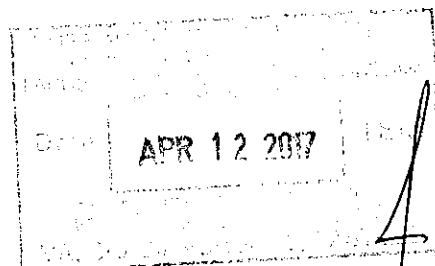
NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Jollibee Foods Corporation
10/F Jollibee Plaza Building
10 F. Ortigas Jr. Ave., Ortigas Center
Pasig City



Report on the Audit of the Parent Company Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going



concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

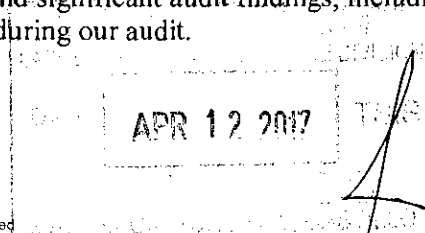
Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 presented in a separate schedule is for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Jollibee Foods Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Marydith C. Miguel.

SYCIP GORRES VELAYO & CO.

Marydith C. Miguel

Marydith C. Miguel

Partner

CPA Certificate No. 65556

SEC Accreditation No. 0087-AR-4 (Group A),

May 1, 2016, valid until May 1, 2019

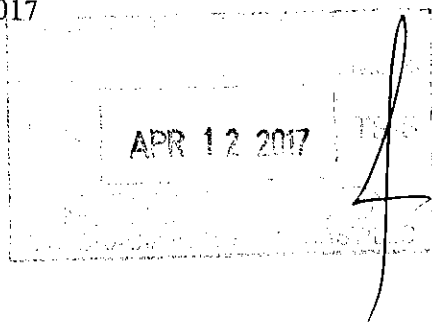
Tax Identification No. 102-092-270

BIR Accreditation No. 08-001998-55-2015,

February 27, 2015, valid until February 26, 2018

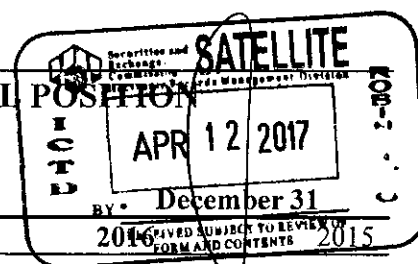
PTR No. 5908731, January 3, 2017, Makati City

April 5, 2017



JOLLIBEE FOODS CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION



ASSETS

Current Assets

Cash and cash equivalents (Notes 5, 30 and 31)	P3,809,560,974	P1,400,486,972
Receivables (Notes 6, 28, 30 and 31)	3,963,142,749	4,595,919,166
Inventories (Note 7)	1,940,850,733	1,790,579,343
Current portion of advances to related parties (Notes 28, 30 and 31)	300,000,000	-
Current portion of operating lease receivables (Notes 28, 29, 30 and 31)	4,775,607	12,590,821
Other current assets (Note 8)	1,037,891,864	1,470,700,588
Total Current Assets	11,056,221,927	9,270,276,890

Noncurrent Assets

Advances to related parties - net of current portion (Notes 28, 30 and 31)	942,075,460	1,044,215,200
Available-for-sale financial assets (Notes 9, 30 and 31)	24,418,040	19,668,040
Investments in and advances to subsidiaries and interests in a joint venture and an associate (Note 10)	27,862,487,241	23,491,407,528
Property, plant and equipment (Note 11)	4,016,778,707	3,394,064,728
Intangible assets (Note 12)	540,064,591	585,351,912
Investment properties (Note 13)	1,459,329,720	1,490,999,710
Operating lease receivables - net of current portion (Notes 28, 29, 30 and 31)	6,305,475	8,322,095
Deferred tax assets - net (Note 25)	1,905,615,039	1,288,122,026
Other noncurrent assets (Notes 14, 30 and 31)	908,936,465	792,044,714
Total Noncurrent Assets	37,666,010,738	32,114,195,953
Total Assets	P48,722,232,665	P41,384,472,843

LIABILITIES AND EQUITY

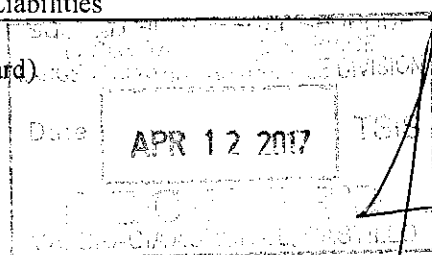
Current Liabilities

Trade payables and other current liabilities (Notes 15, 28, 30 and 31)	P9,793,709,912	P7,835,135,048
Current portion of:		
Long-term debt (Notes 17, 30 and 31)	139,413,482	14,952,273
Due to related parties (Notes 28, 30 and 31)	1,355,958,551	52,685,528
Operating lease payables (Notes 28, 29, 30 and 31)	69,032,652	64,616,021
Total Current Liabilities	11,358,114,597	7,967,388,870

Noncurrent Liabilities

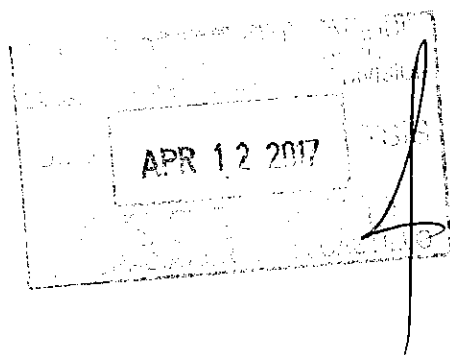
Provisions (Note 16)	30,500,639	30,500,639
Noncurrent portion:		
Long-term debt (Notes 17, 30 and 31)	3,135,894,094	2,277,608,333
Due to related parties (Notes 28, 30 and 31)	-	899,000,000
Operating lease payables (Notes 28, 29, 30 and 31)	697,558,101	614,308,085
Pension liability (Note 26)	1,125,574,998	995,454,668
Total Noncurrent Liabilities	4,989,527,832	4,816,871,725
Total Liabilities	16,347,642,429	12,784,260,595

(Forward)



	December 31	
	2016	2015
Equity		
Capital stock (Notes 18 and 27)	₱1,074,090,651	₱1,068,971,526
Additional paid-in capital (Note 27)	5,658,812,521	5,055,293,439
Remeasurement loss on pension - net of tax	(376,808,825)	(312,446,713)
Net unrealized gain on available-for-sale financial assets - net of tax	4,290,500	—
Retained earnings (Note 19):		
Appropriated	18,200,000,000	10,200,000,000
Unappropriated	7,994,716,880	12,768,905,487
	32,555,101,727	28,780,723,739
Less cost of common stock held in treasury (Notes 18 and 19)	180,511,491	180,511,491
Total Equity	32,374,590,236	28,600,212,248
	₱48,722,232,665	₱41,384,472,843

See accompanying Notes to Parent Company Financial Statements.



JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
REVENUES		
Net sales (Note 28)	₱44,426,813,007	₱39,459,539,254
Royalty and franchise fees (Notes 20 and 28)	4,224,546,811	3,670,844,440
Rent income (Notes 13, 28 and 29)	245,665,223	239,249,950
Others (Note 28)	813,648,508	417,728,455
	49,710,673,549	43,787,362,099
COST OF SALES AND SERVICES (Notes 21 and 28)		
Cost of sales	39,556,803,189	35,175,289,014
Cost of services	514,080,006	573,773,539
	40,070,883,195	35,749,062,553
GROSS PROFIT	9,639,790,354	8,038,299,546
EXPENSES		
General and administrative expenses (Notes 22 and 28)	6,835,531,551	5,722,181,142
Advertising and promotions (Note 28)	742,911,739	665,467,614
	7,578,443,290	6,387,648,756
INTEREST INCOME (EXPENSE) (Note 23)		
Interest income	61,423,180	38,450,249
Interest expense	(140,700,447)	(159,783,406)
	(79,277,267)	(121,333,157)
OTHER INCOME - NET (Note 24)	3,646,754,559	3,370,704,669
INCOME BEFORE INCOME TAX	5,628,824,356	4,900,022,302
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)		
Current	1,001,139,029	858,753,038
Deferred	(590,368,751)	(448,785,791)
	410,770,278	409,967,247
NET INCOME	5,218,054,078	4,490,055,055
OTHER COMPREHENSIVE GAIN (LOSS)		
Item not to be reclassified to profit or loss in subsequent periods -		
Remeasurement loss on pension (Note 26)	(91,945,874)	(522,974,079)
Income tax effect	27,583,762	156,892,224
	(64,362,112)	(366,081,855)
Item to be reclassified to profit or loss in subsequent periods -		
Net unrealized gain on available-for-sale financial assets (Note 9)	4,750,000	—
Income tax effect	(459,500)	—
	4,290,500	—
TOTAL OTHER COMPREHENSIVE LOSS	(60,071,612)	(366,081,855)
TOTAL COMPREHENSIVE INCOME	₱5,157,982,466	₱4,123,973,200
Earnings Per Share for Net Income (Note 32)		
Basic	₱5.747	₱4.618
Diluted	5.643	4.528

See accompanying Notes to Parent Company Financial Statements.



JOLLIBEE FOODS CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 18)	Subscriptions Receivable (Note 18)	Paid-in Capital (Note 27)	Net Unrealized Gain on Available- for-Sale Financial Assets (Note 9)	Remeasurement Gain (Loss) on Pension (Note 26)	Retained Earnings (Note 19)		Cost of Common Stock Held in Treasury (Notes 18 and 19)	Total Equity
						Appropriated for Future Expansion	Unappropriated		
Balance at January 1, 2016	₱1,086,149,410	(₱17,177,884)	₱5,055,293,439	₱-	(₱312,446,713)	₱10,200,000,000	₱12,768,905,487	(₱180,511,491)	₱28,600,212,248
Net income during the year	-	-	-	-	-	-	5,218,054,078	-	5,218,054,078
Other comprehensive loss	-	-	-	4,290,500	(64,362,112)	-	-	-	(60,071,612)
Total comprehensive income (loss)	-	-	-	4,290,500	(64,362,112)	-	5,218,054,078	-	5,157,982,466
Movements in other equity accounts:									
Issuances of capital stock	5,119,125	-	362,195,403	-	-	-	-	-	367,314,528
Cost of stock options granted to own employees (Notes 22 and 27)	-	-	221,694,219	-	-	-	-	-	221,694,219
Cost of stock options granted to employees of subsidiaries (Notes 10 and 27)	-	-	19,629,460	-	-	-	-	-	19,629,460
Cash dividends (Note 19)	-	-	-	-	-	-	(1,992,242,685)	-	(1,992,242,685)
Additional appropriation for future expansion (Note 19)	-	-	-	-	-	8,000,000,000	(8,000,000,000)	-	-
Balance at December 31, 2016	₱1,091,268,535	(₱17,177,884)	₱5,658,812,521	₱4,290,500	(₱376,808,825)	₱18,200,000,000	₱7,994,716,880	(₱180,511,491)	₱32,374,590,236
Balance at January 1, 2015	₱1,081,040,314	(₱17,177,884)	₱4,452,162,323	₱-	₱53,635,142	₱10,200,000,000	₱10,165,710,046	(₱180,511,491)	₱25,754,858,450
Net income during the year	-	-	-	-	-	-	4,490,055,055	-	4,490,055,055
Other comprehensive income	-	-	-	-	(366,081,855)	-	-	-	(366,081,855)
Total comprehensive income (loss)	-	-	-	-	(366,081,855)	-	4,490,055,055	-	4,123,973,200
Movements in other equity accounts:									
Issuances of capital stock	5,109,096	-	429,919,423	-	-	-	-	-	435,028,519
Cost of stock options granted to own employees (Notes 22 and 27)	-	-	161,198,902	-	-	-	-	-	161,198,902
Cost of stock options granted to employees of subsidiaries (Notes 10 and 27)	-	-	12,012,791	-	-	-	-	-	12,012,791
Cash dividends (Note 19)	-	-	-	-	-	-	(1,886,859,614)	-	(1,886,859,614)
Balance at December 31, 2015	₱1,086,149,410	(₱17,177,884)	₱5,055,293,439	₱-	(₱312,446,713)	₱10,200,000,000	₱12,768,905,487	(₱180,511,491)	₱28,600,212,248

See accompanying Notes to Parent Company Financial Statements.

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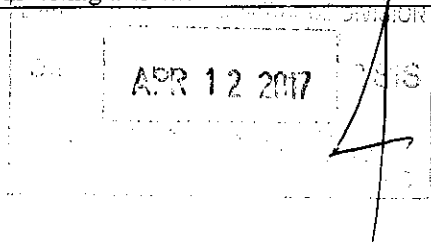
JOLLIBEE FOODS CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P5,628,824,356	P4,900,022,302
Adjustments for:		
Dividend income (Notes 24 and 28)	(2,471,300,000)	(2,221,500,000)
Depreciation and amortization (Notes 11, 12, 13, 21 and 22)	1,167,720,056	1,029,263,450
Write-off of long outstanding liabilities (Note 24)	(389,579,423)	(479,642,996)
Stock options expense (Notes 22 and 27)	221,694,219	161,198,902
Movements in pension liability (Note 26)	206,174,456	173,501,661
Interest expense (Note 23)	140,700,447	159,783,406
Net unrealized foreign exchange gain	(76,891,390)	(41,637,336)
Interest income (Note 23)	(61,423,180)	(38,450,249)
Net loss on retirement of property, plant and equipment (Note 11)	29,907,006	15,027,599
Amortization of debt issue costs (Note 17)	2,746,970	2,163,636
Net gain on disposal of property, plant and equipment (Notes 11 and 24)	(2,286,207)	(6,234,631)
Provision (Reversal) of impairment on:		
Receivables (Note 22)	10,217,086	171,490,794
Inventories (Note 22)	53,637,686	(595,212)
Income before working capital changes	4,460,142,082	3,824,391,326
Decrease (Increase) in:		
Receivables	700,162,422	1,135,150,420
Inventories	(203,909,076)	269,559,955
Operating lease receivables	9,831,834	3,919,002
Other current assets	432,808,724	(905,321,824)
Increase (Decrease) in:		
Trade payables and other current liabilities	2,337,977,924	161,934,532
Due to related parties	404,273,023	(20,344,666)
Operating lease payables	87,666,647	25,258,613
Net cash generated from operations	8,228,953,580	4,494,547,358
Contributions to plan assets (Note 26)	(168,000,000)	—
Income taxes paid	(1,001,139,029)	(858,753,038)
Interest received	47,228,387	48,524,750
Net cash provided by operating activities	7,107,042,938	3,684,319,070

CASH FLOWS FROM INVESTING ACTIVITIES

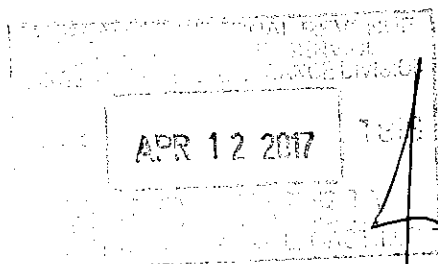
Additional investments in and advances to subsidiaries and interests in a joint venture and an associate (Note 10)	(4,351,450,253)	(1,043,893,745)
Dividends received from subsidiaries (Notes 24 and 28)	2,471,300,000	2,221,500,000
Acquisitions of:		
Property, plant and equipment (Note 11)	(1,752,625,702)	(1,166,528,201)
Intangible assets (Note 12)	(23,705,581)	(99,975,497)
Investment properties (Note 13)	—	(293,628)
Increase in:		
Advances to related parties (Note 28)	(197,860,260)	(329,033,994)
Other noncurrent assets	(104,707,234)	(40,001,523)
Proceeds from disposal of property, plant and equipment (Note 11)	35,233,761	35,060,927
Net cash used in investing activities	(3,923,815,269)	(423,165,661)

(Forward)



	Years Ended December 31	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends (Note 19)	(₱1,988,082,146)	(₱1,899,665,609)
Interest (Notes 17 and 23)	(134,684,622)	(160,980,095)
Long-term debt (Note 17)	(15,000,000)	—
Debt issue cost (Note 17)	(5,000,000)	—
Short-term debt (Note 17)	—	(1,865,000,000)
Proceeds from:		
Availment of long-term debt (Note 17)	1,000,000,000	—
Issuances of capital stock	367,314,528	435,028,519
Net cash used in financing activities	(775,452,240)	(3,490,617,185)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,407,775,429	(229,463,776)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,298,573	(1,194,131)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,400,486,972	1,631,144,879
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱3,809,560,974	₱1,400,486,972

See accompanying Notes to Financial Statements.



JOLLIBEE FOODS CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Jollibee Foods Corporation (the Company/Parent Company) is a Philippine company primarily involved in the development, operation and franchising of Quick Service Restaurants (QSR) under the "Jollibee" trade name mainly in the Philippines. The operation and franchising of Jollibee QSR outside the Philippines are handled through the Company's subsidiaries, investees and franchisees. The Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 11, 1978.

The Company has subsidiaries and investees also engaged in the development, operation and franchising of restaurants under the trade names "Greenwich", "Chowking", "Yonghe King", "Red Ribbon", "Hong Zhuang Yuan", "Mang Inasal", "Burger King", "Highlands Coffee", "Pho 24", "12 Hotpot", "Dunkin Donuts" and "Smashburger". Other subsidiaries are engaged in manufacturing and property leasing activities in support of the systems of the Company and its subsidiaries and in other business activities. The list of the Company's subsidiaries is presented in Note 10.

The Company's common shares are listed in the Philippine Stock Exchange.

The registered office address of the Company is 10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City.

The accompanying parent company financial statements were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2017.

2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared on the historical cost basis, except for certain available-for-sale (AFS) financial assets, which are measured at fair value. The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency.

Statement of Compliance

The accompanying parent company financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to existing PFRSs which became effective on January 1, 2016. Adoption of the pronouncements did not have any significant impact on the parent company statements of financial position and performance unless otherwise indicated.

- 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*

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These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the parent company financial statements since the Company is not an investment entity nor does it have any interest in an investment entity.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3, *Business Combinations*), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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.

These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 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. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

Since the Company is an existing PFRS preparer and has no activities subject to rate-regulation, this standard would not apply.



- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities 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
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments have been considered in preparing the parent company financial statement but did not have a significant impact on how the parent company financial statement have been presented.

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments 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. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are applied prospectively and do not have any impact to the Company, given that the Company has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

The amendments 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. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The amendments are applied retrospectively and do not have any impact on the Company as the Company does not have any bearer plants.



- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

The amendments do not have any impact on the Company since the Company opted not to change to the equity method to account for its investments in subsidiaries and interests in joint ventures and associate.

- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*

The amendment 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. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This amendment is currently not applicable to the Company since it has no non-current asset held for sale or discontinued operations.

- Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. This amendment is not applicable to the Company, having no servicing contracts for its financial assets.

- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment 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. This amendment is not applicable to the parent company financial statements, which is only issued annually.



- Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

This amendment 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. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The Company already complies with the requirements of this amendment since government bond rates are currently used to calculate the present value of the Company's defined benefit obligation due to the absence of a deep market for high quality corporate bonds denominated in the same currency as its defined benefit obligation.

- Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment 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). This amendment is not applicable to the parent company financial statements, which is only issued annually.

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

The Company will adopt the following new and revised standards, interpretations and amendments when these become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments will not have any impact on the Company's financial position and results of operation.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of these amendments will result in additional disclosures in the 2017 parent company financial statements.



- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Company is currently assessing the impact of the amendments on the parent company financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted. The first and third amendments are not applicable to the Company since its stock option plans are classified as equity-settled. The second amendment is not also applicable since the Company shoulders the withholding tax obligations from its share-based payments.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.



The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Company since the Company does not have activities that are predominantly connected with insurance nor does it issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date. The Company is currently assessing the impact of the new standard to the parent company financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date, which is subject to changes arising from a more detailed ongoing analysis.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will have no impact on the classification and measurement of the Company's financial liabilities. The Company expects potential changes in its impairment assessment process as an 'expected credit loss' model replaces the 'incurred credit losses' model under PAS 39. The changes in hedge accounting are not applicable to the parent company financial statements since the Company has not designated any transaction as a hedge.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially



recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are currently not applicable to the Company since it has no transfer into or out of investment property.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Company is currently assessing the impact of adopting this standard.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

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



Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the potential impact on its parent company financial statements resulting from the application of PFRS 16. The Company does not expect material changes in accounting for leases wherein it is the lessor. For most leases though wherein it is the lessee, the Company will be required to recognize both a right to use asset and a lease liability at gross amounts.

With Deferred Effective Date

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

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

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

These amendments are not expected to have a material impact to the parent company financial statements.

3. Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification. An asset is classified as current when it is:

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

All other assets are classified as noncurrent.

A liability is classified as current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.



The Company classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. Where the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same), the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible) and the cost approach (i.e., based on the amount required to replace the service capacity of an asset).

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing 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 Company's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed



as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. For short-term trade receivables and payables, the Company determines the fair value based on their invoice amount, when the effect of discounting is immaterial.

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

Cash and Cash Equivalents

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, except for financial assets at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets as at December 31, 2016 and 2015 consist of loans and receivables and AFS financial assets.

Subsequent measurement

Loans and Receivables. This category is the most relevant to the Company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized as part of interest income. The losses arising from impairment are recognized as part of the "General and administrative expenses" account in the parent company statement of comprehensive income.

This category generally applies to cash and cash equivalents, receivables, operating lease receivables, advances to related parties and refundable deposits.

AFS Financial Assets. AFS financial assets include equity investments that are neither classified as held for trading nor designated at FVPL.



After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in Other Comprehensive Income (OCI) and retained in equity until the investment is derecognized, at which time, the cumulative gain or loss is recognized in profit or loss, or when the investment is determined to be impaired, wherein the cumulative loss is reclassified from equity to profit or loss. Dividends earned while holding AFS financial assets are recognized in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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. The amount of any impairment loss identified is measured as the difference between the asset's



carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the impairment loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit or loss.

AFS Financial Assets. For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss, is removed from OCI and recognized in profit or loss. For unquoted equity investments 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 unquoted equity instruments, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables and other current liabilities, long-term debt, due to related parties and operating lease payables, which are all classified as loans and borrowings.



Subsequent measurement

Loans and Borrowings. This is the category relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the parent company statement of comprehensive income.

Debt Issue Costs. Debt issue costs are specific incremental costs, other than those paid to the lender, that are directly related to issuing a debt instrument. These are presented in the statements of financial position as a reduction from the related debt instrument and are amortized through the EIR amortization process.

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

Offsetting of Financial Instruments

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

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs are accounted for as follows:

Processed inventories	- Standard costing, reviewed on a quarterly basis and revised as necessary to approximate current costs determined using first in, first out (FIFO). Cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity.
Food supplies, packaging, store and other supplies, and novelty items	- Standard costing, reviewed on a quarterly basis and revised as necessary to approximate current costs determined using FIFO.

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



Net realizable value of food supplies, packaging, store and other supplies is the current replacement cost.

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

Other Current Assets

Other current assets include deposits which pertain to deposits to suppliers to be applied for future purchases; prepaid expenses which are expenses paid in advance and recorded as asset before they are utilized or expire; and creditable withholding taxes, which will be applied against the Company's corporate income tax due.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

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

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings, commercial condominium units and improvements	5 - 40 years
Leasehold rights and improvements	2 - 10 years or term of the lease, whichever is shorter
Office, store and food processing equipment	1 - 15 years
Furniture and fixtures	3 - 5 years
Transportation equipment	3 - 5 years

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

The residual values, if any, useful lives and depreciation and amortization method of the assets are reviewed and adjusted, if appropriate, at the end of each financial period.

Fully depreciated assets are retained in the accounts until they are disposed or retired.

Construction in progress represents assets under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for use.



Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The estimated useful lives used in amortizing the intangible assets are disclosed in Note 12.

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

Investment Properties

Investment properties consist of land and buildings and building improvements held by the Company for capital appreciation and rental purposes. Investment properties, except land, are carried at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost less any impairment in value.

The depreciation of buildings and building improvements are calculated on a straight-line basis over the estimated useful lives of the assets which are five (5) to twenty (20) years.

The residual values, if any, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

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



Impairment of Nonfinancial Assets

The carrying values of investments in and advances to subsidiaries and interests in a joint venture and an associate, property, plant and equipment, investment properties and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the asset or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or 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 between knowledgeable, willing parties, less costs of disposal. 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 recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional paid-in capital is also credited for the cost of the Company's equity-settled share-based payments to its employees and employees of its subsidiaries.

Subscriptions Receivable. Subscriptions receivable represents common stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received.

Retained Earnings. Retained earnings represent the Company's accumulated earnings, net of dividends declared.

Dividends. The Company recognizes a liability to make cash distribution to its equity holders when the distribution is authorized by the BOD and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

Treasury Shares. Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the parent company statement of financial position as a deduction from the total



equity. Upon re-issuance or resale of the treasury shares, cost of common stock held in treasury account is credited for the cost of the treasury shares determined using the simple average method. Gain on sale is credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gain from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged directly to retained earnings.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and value-added taxes. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has assessed that it is acting as principal in all of its revenue arrangements. The Company considers both the legal form and the substance of its agreement to determine each party's respective roles in the agreement.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at net sales shown in the parent company statement of comprehensive income.

Royalty Fees. Revenue from royalty fees is recognized as the royalty accrues based on certain percentages of the franchisees' net sales.

Franchise Fees. Revenue from franchise fees is recognized when all services or conditions relating to a transaction have been substantially performed.

Service Fees. Revenue is recognized in the period in which the service has been rendered.

Dividend Income. Dividend income is recognized when the Company's rights as a shareholder to receive the payment is established.

Rent Income. Rent income from operating leases is recognized on a straight-line basis over the lease terms.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases in assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized as incurred.

Advertising and promotions expenses include costs incurred for advertising schemes and promotional activities for new products. The amount of expenses incurred by the Company is reduced by the network advertising and promotional costs reimbursed by the Company's franchisees and subsidiaries.



Pension Benefits

The pension liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets.

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

Pension expense comprise the following:

- Service cost
- Net interest on the pension liability

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

Net interest on the pension liability is the change during the period in the liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability. Net interest on the pension liability is recognized under “Cost of Sales” and “General and Administrative expenses” in the parent company statement of comprehensive income as part of pension expense.

Remeasurements comprising actuarial gains and losses, return on plan assets (excluding net interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting pension asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Share-based Payments

The Company has stock option plans granting management, consultants and selected employees an option to purchase a fixed number of the Company’s shares of stock at a stated price during a specified period (“equity-settled transactions”).

The cost of the options granted to the Company’s management, consultants and employees that become vested is recognized in profit or loss with an equivalent credit to additional paid-in capital over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“vesting date”). The cost of the options granted to management, consultants and employees of subsidiaries, on the other hand, is recognized as additional investment in those subsidiaries.

The fair value is determined using the Black-Scholes Option Pricing Model. The cumulative expense recognized for share-based transactions at each reporting date until the vesting date



reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, provided that all other performance conditions are satisfied.

Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to management and employees as measured at the date of modification.

Where a share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award.

Research Costs

Research costs are expensed as incurred.

Leases

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

Company as Lessee. Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Variable rents are recognized as expense in the period in which they are incurred.

Company as Lessor. Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rent income. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term.

Provisions

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

Foreign Currency Denominated Transactions

Transactions in foreign currencies are recorded in Philippine peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are



restated using the closing rate of exchange at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Taxes

Current Tax. Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognized directly in equity is recognized directly in equity (not in profit or loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in a joint venture and an associate, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in a joint venture and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at reporting date.



Deferred tax relating to items recognized outside profit or loss are recognized also outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Value-added Tax. Revenue, expenses and assets are recognized net of the amount of tax, except:

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Trade payables and other current liabilities” accounts in the parent company statement of financial position.

Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, adjusted for any potential common shares resulting from the assumed exercise of outstanding stock options. Outstanding stock options will have dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option.

Where the EPS effect of the shares to be issued to management and employees under the stock option plan would be anti-dilutive, the basic and diluted EPS would be stated at the same amount.

For the parent company financial statements, the EPS is presented on the basis of the consolidated net income.

Contingencies

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

Business Segments

The Company is organized and managed separately according to the nature of business. The three major operating businesses of the Company are food service, franchising and leasing. These operating businesses are the basis upon which the Company reports its operating segment information presented in the consolidated financial statements filed with the SEC.



Events after the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

The Company believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on the parent company financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations and assumptions, which have the most significant effect on the amounts recognized in the parent company financial statements:

Functional Currency. The Company has determined that its functional and presentation currency is the Philippine peso, being the currency of the primary economic environment in which the Company operates.

Operating Lease Commitments - Company as Lessor. The Company has entered into commercial property leases on its investment property portfolio and subleased properties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all significant risks and benefits of these properties which are being leased out. Accordingly, the leases are accounted for as operating leases.

Rent income amounted to ₱245.7 million and ₱239.2 million in 2016 and 2015, respectively (see Note 29).

Operating Lease Commitments - Company as Lessee. The Company has entered into commercial property leases for its QSR outlets and offices as the lessee. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that all significant risks and benefits of ownership of these properties remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱1,684.5 million and ₱1,406.5 million in 2016 and 2015, respectively (see Note 29).

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the parent company



financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of Receivables. The Company maintains an allowance for impairment loss at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, average age of accounts, collection experience and average actual write-off. The Company performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The review is done annually using specific and collective assessments, respectively. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance account would increase the Company's general and administrative expenses and decrease current assets.

Provision for impairment loss on receivables amounted to ₱10.2 million and ₱171.5 million in 2016 and 2015, respectively, resulting from specific assessments (see Notes 6 and 22). The carrying value of receivables amounted to ₱3,963.1 million and ₱4,595.9 million as at December 31, 2016 and 2015, respectively (see Note 6).

Net Realizable Value of Inventories. The Company writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

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

Provision for inventory obsolescence amounted to ₱53.6 million and reversal of allowance for inventory obsolescence amounted to ₱0.6 million in 2016 and 2015, respectively (see Notes 7 and 22). The carrying value of inventories amounted to ₱1,940.9 and ₱1,790.6 million as at December 31, 2016 and 2015, respectively (see Note 7).

Impairment of Property, Plant and Equipment, Intangible Assets and Investment Properties. The Company performs annual impairment review of property, plant and equipment, intangible assets and investment properties when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the parent company financial statements. Future events could cause the Company to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and performance.

The aggregate carrying amounts of property, plant and equipment, intangible assets and investment properties amounted to ₱6,016.2 million and ₱5,470.4 million as at December 31, 2016 and 2015, respectively (see Notes 11, 12 and 13).



Estimating Useful Lives of Depreciable Property, Plant and Equipment, Intangible Assets and Depreciable Investment Properties. The Company estimates the useful lives of depreciable property, plant and equipment, intangible assets and depreciable investment properties based on the period over which the assets are expected to be available for use and based on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of depreciable property, plant and equipment, intangible assets with finite useful life and depreciable investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of the assets as applicable. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recording of depreciation and amortization for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of depreciable property, plant and equipment, intangible assets with finite useful lives and depreciable investment properties would increase the recorded depreciation and amortization and decrease noncurrent assets.

There were no changes in the estimated useful lives of depreciable property, plant and equipment and depreciable investment properties in 2016 and 2015. There was a change, however, in the useful life used to amortize intangible assets with finite useful life as disclosed in Note 12.

Impairment of Investments in and Advances to Subsidiaries and Interests in a Joint Venture and in an Associate. An impairment test of investments in subsidiaries and interests in a joint venture and an associate is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) from the subsidiaries, joint venture and associate, and also consider market data in determining a discount rate in order to calculate the present value of those cash flows.

There were no provisions for impairment losses on investments in and advances to subsidiaries and interests in a joint venture and an associate in 2016 and 2015. The carrying values of investments in and advances to subsidiaries and interests in a joint venture and an associate amounted to ₱27,862.5 million and ₱23,491.4 million as at December 31, 2016 and 2015, respectively (see Note 10).

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that sufficient taxable profits will not be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets is based on forecasted taxable income. This forecast is based on future expectations on revenue and expenses as well as management's plans and strategies.

The carrying amount of deferred tax assets amounted to ₱2,024.7 million and ₱1,466.7 million as at December 31, 2016 and 2015, respectively (see Note 25). There were no unrecognized deferred tax assets as at December 31, 2016 and 2015.

Pension Benefits. The pension expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Future salary increases are based on budgeted salary increases.

Pension liability amounted to ₱1,125.6 million and ₱995.5 million as at December 31, 2016 and 2015, respectively. Total pension expense recognized by the Company amounted to ₱206.2 million and ₱173.5 million as at December 31, 2016 and 2015, respectively (see Notes 21, 22 and 26).

Share-based Payments. The Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the Black-Scholes Option Pricing Model. The expected life of the stock options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Company.

Total expense arising from share-based payments recognized by the Company amounted to ₱221.7 million and ₱161.2 million in 2016 and 2015, respectively (see Notes 22 and 27).

Provisions and Contingencies. The Company is currently involved in litigations, claims and disputes which are normal to its business. Cost estimates for the resolution of these claims has been developed in consultation with the Company's legal counsels and based upon an analysis of potential results. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and performance of the Company.

The carrying amount of the Company's provisions for litigations, claims and disputes amounted to ₱30.5 million each as at December 31, 2016 and 2015 (see Notes 16 and 29).

5. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand	₱109,357,543	₱118,709,746
Cash in banks	1,154,500,902	696,080,971
Short-term deposits	2,545,702,529	585,696,255
	₱3,809,560,974	₱1,400,486,972



Cash in banks earn interest at the respective savings or special demand deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to ₱15.4 million and ₱11.6 million in 2016 and 2015, respectively (see Note 23).

6. Receivables

This account consists of:

	2016	2015
Trade receivables from:		
Franchisees and customers	₱1,778,027,120	₱2,619,536,142
Related parties (see Note 28)	2,124,321,144	1,905,215,386
	3,902,348,264	4,524,751,528
Less allowance for impairment loss	207,873,249	197,656,163
	3,694,475,015	4,327,095,365
Employee advances	55,989,614	72,912,142
Current portion of employees' car plan receivables (see Note 14)	36,721,831	28,034,673
Interest receivable	7,884,502	5,874,226
Others (see Note 28)	168,071,787	162,002,760
	₱3,963,142,749	₱4,595,919,166

The terms and conditions of the receivables are as follows:

- Trade receivables from franchisees and customers are noninterest-bearing and are generally collectible on a 15-day term.
- The terms and conditions of receivables from related parties are discussed in Note 28.
- Employee advances, current portion of employees' car plan receivables, interest receivable, and other receivables are expected to be collected within the next financial year.

Other receivables consist of receivables from the retirement plan, from the Social Security System (SSS) and insurance claims.

The movements in allowance for impairment loss on trade receivables as at December 31 follow:

	2016	2015
Balance at beginning of year	₱197,656,163	₱26,165,369
Provisions (see Note 22)	10,217,086	171,490,794
Balance at end of year	₱207,873,249	₱197,656,163

The provisions in 2016 and 2015 resulted from the specific impairment assessments performed by the Company.



7. Inventories

This account consists of:

	2016	2015
At cost:		
Food supplies and processed inventories	₱1,517,974,045	₱1,646,703,193
Packaging, store and other supplies	352,769,582	98,689,901
At net realizable value -		
Novelty items	70,107,106	45,186,249
	₱1,940,850,733	₱1,790,579,343

The cost of novelty items carried at net realizable value amounted to ₱129.9 million and ₱51.3 million as at December 31, 2016 and 2015, respectively.

The Company assesses the age of novelty items on hand in determining the amount of provision for inventory obsolescence or reversal to be recognized. Based on this assessment, the Company booked a provision for inventory obsolescence amounting to ₱53.6 million in 2016 and a reversal of allowance for inventory obsolescence amounting to ₱0.6 million in 2015 (see Note 22).

8. Other Current Assets

This account consists of:

	2016	2015
Prepaid taxes	₱616,433,298	₱449,245,259
Deposits to suppliers and others	211,618,745	615,686,706
Prepaid expenses	156,365,242	361,809,041
Current portion of prepaid car plan	53,474,579	43,959,582
	₱1,037,891,864	₱1,470,700,588

Prepaid taxes represent creditable withholding taxes that the Company can apply against its corporate income tax in the following year and prepaid real property taxes.

Deposits to suppliers are generally applied to purchases of inventories and services within the next financial year.

Prepaid expenses consist of unused office and operating supplies and the unexpired portion of advertising, insurance and other expenses paid in advance.

9. Available-for-Sale Financial Assets

This account consists mainly of shares in golf and leisure clubs as at December 31, 2016 and 2015.

The movements in the available-for-sale financial assets account are as follows:

	2016	2015
Balance at beginning of year	₱19,668,040	₱19,668,040
Changes in fair value	4,750,000	-
Balance at end of year	₱24,418,040	₱19,668,040



10. Investments in and Advances to Subsidiaries and Interests in a Joint Venture and an Associate

The carrying values of investments are as follows:

	2016	2015
Subsidiaries:		
Jollibee Worldwide Pte. Ltd. (JWPL)	₱14,483,903,333	₱12,407,848,636
Mang Inasal Philippines Inc.	4,980,411,828	2,980,233,926
RRB Holdings, Inc.	2,526,320,187	2,524,189,307
Fresh N' Famous Foods, Inc.	2,339,254,742	2,328,581,713
Honeybee Foods Corporation	1,670,842,377	1,633,522,377
Zenith Foods Corporation	996,773,945	996,173,239
Grandworth Resources Corporation	270,000,000	270,000,000
BKTitans, Inc.*	66,478,388	66,347,389
Freemont Foods Corporation	59,930,558	59,930,558
Jollibee USA	2,800,000	2,800,000
	27,396,715,358	23,269,627,145
Joint Venture -		
Cargill Joy Poultry Meats Production Inc.**	233,406,000	—
Associate -		
Cargill Joy Poultry Realty Inc.**	10,585,500	—
	243,991,500	—
Advances to JWPL	221,780,383	221,780,383
	₱27,862,487,241	₱23,491,407,528

* Owned through Chanceux, Inc., which is wholly owned by the Company.

**Investments made by the Company in 2016.

The movements in this account are as follows:

	2016	2015
Investments in subsidiaries		
Balance at beginning of year	₱23,282,742,145	₱22,448,615,992
Additional investments	4,107,458,753	822,113,362
Share-based payments to employees of subsidiaries (see Note 27)	19,629,460	12,012,791
Balance at end of year	27,409,830,358	23,282,742,145
Less allowance for impairment loss	13,115,000	13,115,000
	27,396,715,358	23,269,627,145
Interests in a joint venture and an associate -		
Investments during the year	243,991,500	—
Advances to JWPL	221,780,383	221,780,383
	₱27,862,487,241	₱23,491,407,528



The Company's subsidiaries as at December 31, 2016 and 2015 include the following:

	Country of Incorporation	Principal Activities	2016		2015	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods, Inc. (Fresh N' Famous):	Philippines	Food service	100	-	100	-
Chowking Food Corporation USA	United States of America (USA)	Holding company	-	100	-	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	100	-	100	-
Freemant Foods Corporation (Freemont)	Philippines	Food service	100	-	100	-
RRB Holdings, Inc. (RRBH):	Philippines	Holding company	100	-	100	-
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	-	100	-	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	-	100	-	100
Mang Inasal Philippines Inc. (Mang Inasal) ^(a)	Philippines	Food service	100	-	70	-
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	100	-	100	-
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	-	100	-	100
ICConnect Multi Media Network, Inc. (ICConnect)	Philippines	Advertising	-	60	-	60
JC Properties & Ventures Co.	Philippines	Dormant	-	50	-	50
Honeybee Foods Corporation (HFC)	USA	Food service	100	-	100	-
Tokyo Teriyaki Corporation (TTC)	USA	Food service	-	100	-	100
Honeybee Foods (Canada) Corporation (HFCC) ^(b)	Canada	Food service	-	100	-	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	100	-	100	-
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	-	100	-	100
Golden Plate Pte., Ltd. (GPPL)	Singapore	Holding company	-	100	-	100
- Galden Bee Works Pte., Ltd.	Singapore	Food service	-	60	-	60
Golden Cup Pte. Ltd.	Singapore	Holding company	-	60	-	60
- Beijing Galden Coffee Cup Food & Beverage Management Co., Ltd.	PRC	Food Service	-	100	-	100
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	-	100	-	100
Sauthsea Binaries Ltd. (Sauthsea)	British Virgin Island (BVI)	Holding company	-	100	-	100
Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Hangzhou Yong He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Wuhan Yang He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Tianjin Yang He King Food and Beverage Co., Ltd.	PRC	Food service	-	100	-	100
Guangxi San Pin Wang Food and Beverage Management Company Limited (San Pin Wang) ^(c)	PRC	Food service	-	-	-	55
Happy Bee Foods Processing Pte. Ltd. (HBFPPL) ^(d)	Singapore	Holding company	-	100	-	70
Happy Bee Foods Processing (Anhui) Co. Ltd. ^(d)	PRC	Food service	-	100	-	100
JSF Investments Pte. Ltd. (JSF)	Singapore	Holding company	-	99	-	99
Chow Fun Holdings LLC (Chow Fun) ^(e)	USA	Food service	-	-	-	81
Jollibee (China) Food & Beverage Management Co. Ltd. (JFCC and formerly Shanghai Chunlv Co. Ltd.)	PRC	Management company	-	100	-	100
Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	-	100	-	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	-	100	-	100
- Goldstar Food Trade and Service Company Ltd. (GSC) ^(f)	Vietnam	Food Service	-	100	-	-
- PT Chowking Indonesia	Indonesia	Food service	-	100	-	100
- PT Jollibee Indonesia	Indonesia	Dormant	-	100	-	100
- Jollibee (Hong Kong) Limited and Subsidiaries	Hong Kong	Dormant	-	85	-	85
- Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	-	100	-	100
- Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	-	100	-	100
- Yong He Holdings Co., Ltd.	BVI	Holding company	-	100	-	100
- Centenary Ventures Ltd.	BVI	Holding company	-	100	-	100
Bee Good! Inc. (BGI)	USA	Holding company	-	100	-	100
Chanceux, Inc.	Philippines	Holding company	100	-	100	-
BKTitans, Inc. (BKTitans)	Philippines	Holding company	-	54	-	54
- PFN Holdings Corporation	Philippines	Holding company	-	53	-	53
- PERF Restaurants, Inc. ^(g)	Philippines	Food service	-	53	-	53
Donut Magic Phils., Inc. (Donut Magic) ^(h)	Philippines	Dormant	100	-	100	-
Ice Cream Copenhagen Phils., Inc. (ICCP) ^(h)	Philippines	Dormant	100	-	100	-
Mary's Foods Corporation (Mary's) ^(h)	Philippines	Dormant	100	-	100	-
QSR Builders, Inc.	Philippines	Dormant	100	-	100	-
Jollibee USA	USA	Dormant	100	-	100	-

(a) On April 22, 2016, the Jollibee Group acquired the remaining 30% interest in Mang Inasal, making it a wholly owned subsidiary.

(b) On May 7, 2015, the Jollibee Group, through HFC, incorporated HFCC in awn and operate Jollibee restaurants in Canada.

(c) On December 30, 2016, the Jollibee Group, through JWPL, completed divestment of its shareholdings in San Pin Wang.

(d) On November 23, 2016, the Jollibee Group, through JWPL, obtained government and regulatory approval for the transfer of assets in Anhui and completed the transfer of shares in HBFPPL to make its ownership 100%.

(e) On December 31, 2016, the Jollibee Group, through JWPL, completed divestment of its shareholdings in Chow Fun.

(f) On September 1, 2016, the Jollibee Group, through its wholly owned subsidiary, Jollibee Vietnam Corporation Ltd., acquired 100% interest in GSC.

(g) PERF Restaurants, Inc. also holds shares in PERF Trinama and PERF MOA.

(h) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies. The application is pending approval from the SEC as at December 31, 2016.

Investments in JWPL

The Company made additional cash investments of ₱2,070.2 million and ₱786.4 million in 2016 and 2015, respectively. These additional investments were used to finance JWPL's financing and investing activities in 2016 and 2015.



Investments in Honeybee

In 2016 and 2015, the Company made an additional cash investment of ₱37.3 million and ₱35.7 million, respectively, which in turn was used to finance TTC's installment payment for the purchase of Chowking US. The Chowking US operations were acquired by TTC from Fortune Capital Corporation on May 27, 2011.

Investment in Mang Inasal

On November 22, 2010, the Company acquired 70% of the issued and outstanding shares of Mang Inasal, owner and operator of Mang Inasal QSR in the Philippines, for a total consideration of ₱3,000.0 million. The Company paid ₱2,700.0 million as at December 31, 2010. The remaining 10% of the purchase price was payable over a 3-year period from the acquisition date.

On April 22, 2016, the Company acquired the remaining 30% of the issued and outstanding shares of Mang Inasal for a total cash consideration of ₱2,000.0 million.

Interest in Cargill Joy Poultry Meats and Realty

On May 24, 2016, the Company entered into an agreement with Cargill Philippines, Inc., a wholly owned subsidiary of Cargill, Inc. (Cargill), to establish a joint venture to build and operate a poultry processing plant in Sto. Tomas, Batangas, Philippines. Cargill will oversee the setting up, management and operations of this facility.

The joint venture entity, incorporated as Cargill Joy Poultry Meats Production, Inc. (Cargill Poultry Meats), is 70% owned by Cargill and 30% owned by the Company. The Company also owns 30% of Cargill Joy Poultry Realty, Inc. (Cargill Realty) which will lease the land where Cargill Poultry Meats' plant will be located. The Company contributed investments of ₱233.4 million and ₱10.6 million in the joint venture entity and associate, respectively. Both Cargill Poultry Meats and Cargill Realty were incorporated in the Philippines.

Advances to JWPL

Advances to JWPL pertain to advances made by the Company for the transaction costs of Bee Good! Inc.'s (BGI) investment in SJBFL LLC. BGI is a wholly owned subsidiary of the Company through JWPL.

Stock Option Grants to Employees of Subsidiaries

The Company has stock option grants to the employees of its subsidiaries under the Management Stock Option Program (MSOP). Details about the MSOP are disclosed in Note 27. The cost of those stock option grants for the years ended December 31, 2016 and 2015 were charged to the investment in the relevant subsidiary as follows:

	2016	2015
Fresh N' Famous Foods, Inc.	₱10,673,029	₱6,282,095
Jollibee Worldwide Pte. Ltd.	5,915,944	3,628,199
RRB Holdings, Inc.	2,130,880	1,650,490
Zenith Foods Corporation	600,706	116,134
Mang Inasal Philippines Inc.	177,902	257,338
BKTitans, Inc.	130,999	78,535
	₱19,629,460	₱12,012,791



11. Property, Plant and Equipment

The rollforward analysis of this account follows:

2016								
	Land	Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
<i>(In Thousands)</i>								
Cost:								
Balance at beginning of year	P28,586	P453,815	P3,417,252	P3,600,585	P403,798	P376,339	P291,460	P8,571,835
Additions	-	-	223,998	361,351	32,863	74,980	1,059,434	1,752,626
Retirements and disposals	-	-	(379,005)	(394,446)	(70,244)	(4,706)	(13,405)	(861,806)
Transfers	-	-	2,868	(1,807)	222	-	(1,283)	-
Reclassifications	-	-	646,920	492,628	51,788	3,144	(1,194,480)	-
Balance at end of year	28,586	453,815	3,912,033	4,058,311	418,427	449,757	141,726	9,462,655
Accumulated depreciation and amortization:								
Balance at beginning of year	-	403,750	1,892,794	2,381,877	288,594	210,755	-	5,177,770
Additions (see Notes 21 and 22)	-	9,773	422,267	525,055	54,085	55,877	-	1,067,057
Retirements and disposals	-	-	(348,816)	(379,705)	(68,057)	(2,373)	-	(798,951)
Transfers	-	-	2,250	(2,120)	(130)	-	-	-
Reclassifications	-	-	(1,034)	1,054	(7)	(13)	-	-
Balance at end of year	-	413,523	1,967,461	2,526,161	274,485	264,246	-	5,445,876
Net Book Value	P28,586	P40,292	P1,944,572	P1,532,150	P143,942	P185,511	P141,726	P4,016,779
2015								
	Land	Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
<i>(In Thousands)</i>								
Cost:								
Balance at beginning of year	P28,586	P453,815	P2,987,226	P3,218,692	P356,308	P354,330	P229,027	P7,627,984
Additions	-	-	187,126	317,547	33,294	30,769	597,792	1,166,528
Retirements and disposals	-	-	(69,513)	(116,832)	(15,195)	(14,474)	(6,663)	(222,677)
Transfers	-	-	4,703	(4,004)	84	-	(783)	-
Reclassifications	-	-	307,710	185,182	29,307	5,714	(527,913)	-
Balance at end of year	28,586	453,815	3,417,252	3,600,585	403,798	376,339	291,460	8,571,835
Accumulated depreciation and amortization:								
Balance at beginning of year	-	393,959	1,557,226	2,051,084	262,455	167,218	-	4,431,942
Additions (see Notes 21 and 22)	-	9,791	381,148	438,600	40,908	54,204	-	924,651
Retirements and disposals	-	-	(44,235)	(109,140)	(14,781)	(10,667)	-	(178,823)
Transfers	-	-	2,259	(2,228)	(31)	-	-	-
Reclassifications	-	-	(3,604)	3,561	43	-	-	-
Balance at end of year	-	403,750	1,892,794	2,381,877	288,594	210,755	-	5,177,770
Net Book Value	P28,586	P50,065	P1,524,458	P1,218,708	P115,204	P165,584	P291,460	P3,394,065

Construction in progress as at December 31, 2016 and 2015 mainly pertains to costs incurred for ongoing construction of soon-to-open stores and stores under refurbishment.

Net loss on retirements of property, plant and equipment amounted to P29.9 million and P15.0 million in 2016 and 2015, respectively. The Company sold items of property, plant and equipment for a total consideration of P35.2 million and P35.1 million in 2016 and 2015, respectively. Net gain arising from the disposals of property, plant, and equipment amounted to P2.3 million and P6.2 million in 2016 and 2015, respectively (see Note 24).



No impairment of property, plant and equipment was recognized by the Company in 2016 and 2015.

The cost of fully depreciated assets still in use by the Company amounted to ₱2,789.1 million and ₱2,748.2 million as at December 31, 2016 and 2015, respectively.

No property, plant and equipment have been pledged as security or collateral as at December 31, 2016 and 2015.

12. Intangible Assets

This account consists of:

	2016	2015
Cost:		
Balance at beginning of year	₱702,749,758	₱602,774,261
Additions	23,705,581	99,975,497
Balance at end of year	₱726,455,339	₱702,749,758
Accumulated amortization:		
Balance at beginning of year	₱117,397,846	₱44,446,252
Amortization (see Note 22)	68,992,902	72,951,594
Balance at end of year	₱186,390,748	₱117,397,846
Net book value:		
At end of year	₱540,064,591	₱585,351,912
At beginning of year	585,351,912	558,328,009

Intangible assets mainly pertain to computer software relating to the Company's Enterprise Resource Planning (ERP) application which the Company started using on August 1, 2014. In 2016 and 2015, the Company continued to capitalize costs for new functionalities.

In 2015, the Company conducted a reassessment of the useful life of its ERP application, which resulted in a change in its expected usage. Considering the substantial amount of investment made by the Company to implement the new application, the alternative applications currently available in the market and the Company's historical experience with its previous ERP application, management now expects and intends to use the new ERP application for ten (10) years from commissioning date. Management has previously estimated the expected useful life of the new ERP application at five (5) years. This change will result to annual amortization expense to be lower by ₱58.0 million in 2015, by ₱64.0 million in 2016 to 2018, and by ₱33.0 million in 2019; and to be higher by ₱58.0 million in 2020 thereafter. The Company's ERP application has a net book value of ₱513.4 million and ₱559.3 million as at December 31, 2016 and 2015, respectively.

The Company's intangible assets also include trademarks and patents amortized over its useful life of five years with net book value of ₱26.7 million and ₱26.1 million as at December 31, 2016 and 2015, respectively.



13. Investment Properties

The rollforward analysis of this account follows:

	2016		
	Land	Buildings and Building Improvements	Total
Cost -			
Balance at beginning and end of year	₱759,181,799	₱985,738,865	₱1,744,920,664
Accumulated depreciation:			
Balance at beginning of year	—	253,920,954	253,920,954
Additions (see Notes 21 and 22)	—	31,669,990	31,669,990
Balance at end of year	—	285,590,944	285,590,944
Net book value	₱759,181,799	₱700,147,921	₱1,459,329,720

	2015		
	Land	Buildings and Building Improvements	Total
Cost:			
Balance at beginning of year	₱759,181,799	₱985,445,237	₱1,744,627,036
Additions	—	293,628	293,628
Balance at end of year	759,181,799	985,738,865	1,744,920,664
Accumulated depreciation:			
Balance at beginning of year	—	222,260,335	222,260,335
Additions (see Notes 21 and 22)	—	31,660,619	31,660,619
Balance at end of year	—	253,920,954	253,920,954
Net book value	₱759,181,799	₱731,817,911	₱1,490,999,710

The cost of fully depreciated investment properties still being leased out by the Company under operating leases amounted to ₱107.5 million as at December 31, 2016 and 2015.

The Company's investment properties have an aggregate fair value of ₱2,482.6 million as at December 31, 2014 as determined by independent qualified appraisers. Management does not expect a significant change in the aggregate fair value of the Company's investment properties in 2016 and 2015. The fair value represents the amount at which the assets and liabilities can be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions in accordance with International Valuation Standards.

In determining the fair value of the investment properties, the independent appraisers used the market data approach for land and cost approach for buildings and building improvements. For land, fair value is based on sales and listings of comparable properties within the vicinity after adjustments for differences in location, size and shape of the lot, time elements and other factors between the properties and their comparable properties. For buildings and building improvements, fair value is based on the current cost to replace the properties in accordance with prevailing market prices for materials, labor, contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, and functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar new properties. Fair value hierarchy disclosures for investment properties have been provided in Note 31.



Rent income derived from income-generating properties amounted to ₱121.1 million and ₱125.5 million in 2016 and 2015, respectively, recorded under "Rent income" account.

Direct operating costs relating to the investment properties, which include depreciation and maintenance expenses, totaled ₱39.9 million and ₱31.7 million in 2016 and 2015, respectively.

No investment properties have been pledged as security or collateral as at December 31, 2016 and 2015.

14. Other Noncurrent Assets

This account consists of:

	2016	2015
Refundable deposits	₱522,965,030	₱438,695,873
Noncurrent portion of:		
Prepaid car plan	115,658,393	112,635,521
Prepaid rent	96,012,577	83,030,474
Employees' car plan receivables	89,845,027	92,811,553
Deferred rent and compensation	45,172,162	36,537,693
Returnable containers	20,217,038	20,226,096
Others	19,066,238	8,107,504
	₱908,936,465	₱792,044,714

Refundable deposits represent security deposits for operating leases entered into by the Company as a lessee (see Note 29). The refundable deposits are recoverable from the lessors at the end of the related lease terms and are presented at amortized cost. The discount rates used range from 2% to 22% in 2016 and 2015. The difference between the fair value at initial recognition and the notional amount of the refundable deposits is recognized as deferred rent and amortized on a straight-line basis over the lease terms. Accretion of interest pertaining to refundable deposits amounted to ₱6.3 million and ₱5.8 million in 2016 and 2015, respectively (see Note 23).

Employees' car plan receivables are presented at amortized cost. The difference between the fair value at initial recognition and the notional amount of the employees' car plan receivables is recognized as deferred compensation and amortized on a straight-line basis over the credit period. Accretion of interest pertaining to employees' car plan receivables amounted to ₱5.9 million and ₱5.3 million in 2016 and 2015 (see Note 23).

15. Trade Payables and Other Current Liabilities

This account consists of:

	2016	2015
Trade payables:		
Suppliers	₱4,083,302,029	₱3,361,728,342
Related parties (see Note 28)	569,727,247	515,540,289

(Forward)



	2016	2015
Accruals for:		
Advertising and promotions	₱731,203,957	₱571,674,999
Corporate events and research	299,279,853	287,042,198
Rent	228,884,891	229,688,116
Salaries, wages and employee benefits	209,409,749	178,453,830
Store operations	176,658,799	127,716,150
Professional fees	140,989,623	301,729,549
Gift certificates	121,744,991	79,520,495
Trainings and seminars	121,566,981	61,482,230
Delivery expenses	112,019,884	105,263,035
Supplies	111,306,930	90,204,549
Repairs, maintenance and security	106,512,948	91,737,474
Electricity, other utilities and communication	102,239,889	82,936,709
Novelties	56,317,473	63,775,094
Retention	36,298,494	23,491,242
Transportation and travel	19,472,674	15,212,516
Interest (see Note 17)	13,097,129	8,107,592
Insurance	4,758,538	4,385,552
Others	510,247,970	248,700,954
Local and other taxes payable	954,346,948	600,447,207
Happy Plus liabilities	409,674,679	14,962,708
Provision for bonus	249,248,614	230,985,002
Customers' deposits	107,266,609	207,807,365
Dividends payable	47,705,414	43,544,875
Other current liabilities	270,427,599	288,996,976
	₱9,793,709,912	₱7,835,135,048

Trade payables are noninterest-bearing and are generally settled within a 30-day term.

The terms and conditions of payables to related parties are discussed in Note 28.

Accruals, local and other taxes payable, customers' deposits and dividends payable are noninterest-bearing and are normally settled within the next financial year.

Other accruals generally consist of amounts payable for representation and various activities of the Company.

Customers' deposits pertain to security deposits from operating leases with franchisees and subsidiaries, which are refundable at the end of the lease term and deposits for kiddie party packages. Accretion of interest pertaining to customers' deposits from operating leases amounted to ₱1.0 million in 2016 and 2015 (see Note 23).

Other current liabilities consist of staled checks, amounts payable for mascots and various subscriptions in newspapers given to customers as a complementary to their meals.

16. Provisions

This mainly represents provisions for legal claims, which include estimates of legal services, settlement amounts and other costs of claims made against the Company. Other information on the claims are not disclosed as this may prejudice the Company's position on such claims (see Note 29).



17. Short-term and Long-term Debts

Short-term Debt

Short-term debt consists of unsecured short-term bank loans of the Company. These loans were availed in 2014 with maturities of one year or less with interest rates ranging from 1.8% to 1.9%. Short-term debt amounted to ₱1,865.0 million as at December 31, 2014, which was subsequently settled in 2015.

Interest expense recognized on the short term debt amounted to ₱40.9 million in 2015 (see Note 23).

Long-term Debt

₱1,500.0 Million Metrobank and Trust Company (MBTC) Loan

On December 9, 2013, the Company refinanced a 2011 loan from MBTC amounting to ₱1,500.0 million. The new loan is payable over five years and six months from the date of drawdown with annual principal repayments of ₱15.0 million starting on the 30th month from the date of drawdown and ₱1,455.0 million upon maturity. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury Fixing (PDST-F) rate plus spread of 1.25%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the Bangko Sentral ng Pilipinas (BSP) Overnight Reverse Repurchase Agreement Rate. The loan was drawn on December 16, 2013 and will mature on June 17, 2019. The Company incurred debt issue costs of ₱7.5 million, representing documentary stamp tax, in relation to this loan in 2013.

Under the loan agreement with MBTC, the Company has an option to convert the variable interest rate into a fixed interest rate on any interest payment date based on the PDST-F rate for the remaining term of the loan and the spread of 1.00%. The Company also has an option to prepay the loan in full or in multiples of ₱10.0 million on any interest payment date.

₱800.0 Million Bank of the Philippine Islands (BPI) Loan

On April 21, 2014, the Company obtained an unsecured loan from BPI amounting to ₱800.0 million. The principal is payable after five years on maturity upon April 21, 2019. The loan is subject to a variable interest rate based on three-month PDST-F rate plus spread of 1.00%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the BSP Special Deposit Account (SDA) Rate plus spread of 1.00% or BSP Overnight Borrowing rate plus spread of 1.00%. The Company incurred debt issue costs of ₱4.0 million, representing documentary stamp tax, in relation to this loan.

Under the loan agreement with BPI, the Company has an option to convert the variable interest rate into a fixed interest rate based on a five-year treasury securities benchmark yield plus spread of 1.00% on the date the option to convert is exercised, subject to an annual interest rate floor of 4.75%. The Company also has an option to prepay the loan, wholly or partially, without penalty at any time during the term of the loan subject to certain conditions.

₱1,000.0 Million MBTC Loan

On April 22, 2016, the Company obtained an unsecured loan from MBTC amounting to ₱1,000.0 million. The loan is payable over five years from the date of drawdown with quarterly principal payments of ₱62.5 million starting on the 15th month from the date of drawdown. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury - Reference Rate Two (PDST-R2) plus spread of 0.55%, which is payable and is repriced on a quarterly basis, and to an interest rate floor of BSP SDA Rate. The loan will mature on



April 22, 2021. The Company incurred debt issue cost of ₱5.0 million representing documentary stamp tax, in relation to this loan.

Under the loan agreement with MBTC, the Company has an option to convert the variable interest rate into a fixed interest rate on any interest payment date but in no case later than 730 days from drawdown date. The conversion to fixed interest rate is based on the applicable PDST-R2 rate plus spread of 2% if the option is exercised from day 1 to day 365 from drawdown date and based on the applicable PDST-R2 rate plus spread of 2.75% if the option is exercised from day 366 to day 730 from drawdown date. The Company also has an option to prepay the loan in part or in full on any interest payment date.

The balance of the Company's long-term debt as at December 31, 2016 and 2015 is as follows:

	2016	2015
Principal	₱3,285,000,000	₱2,300,000,000
Unamortized debt issue cost	(9,692,424)	(7,439,394)
	3,275,307,576	2,292,560,606
Less current portion:		
Principal	140,000,000	15,000,000
Unamortized debt issue cost	(586,518)	(47,727)
	139,413,482	14,952,273
Noncurrent portion - net of debt issue cost	₱3,135,894,094	₱2,277,608,333

Debt Issue Cost

The movements in unamortized debt issue cost in 2016 and 2015 are as follows:

	2016	2015
Balance at beginning of year	₱7,439,394	₱9,603,030
Additions	5,000,000	-
Amortization	(2,746,970)	(2,163,636)
Balance at end of year	₱9,692,424	₱7,439,394

The future expected principal settlements of the long-term debt as at December 31, 2016 follow:

2017	₱140,000,000
2018	265,000,000
2019	2,505,000,000
2020	250,000,000
2021	125,000,000
	₱3,285,000,000

Interest expense incurred related to long-term debt amounted to ₱103.9 million and ₱89.8 million in 2016 and 2015, respectively (see Note 23), which include amortization of debt issue cost amounting to ₱2.7 million and ₱2.2 million, respectively. Accrued interest expense included in "Trade payables and other current liabilities" account amounted to ₱13.1 million and ₱8.1 million as at December 31, 2016 and 2015, respectively (see Note 15).

Debt Covenants

The Company's ₱1,500.0 million and ₱1,000.0 million loans with MBTC are subject to affirmative debt covenants, including maintaining business, maintaining property insurance,



paying taxes, notifying MBTC of material legal proceedings and agreements, and maintaining accurate accounting records, among others. They are also subject to negative debt covenants, including not making material changes in business, not permitting material changes in ownership and voting control, and not guaranteeing debt of non-subsidiaries and non-affiliates, among others. Noncompliance with these debt covenants may result to the acceleration of the maturity of the loans. In addition, the Company is required not to exceed a Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0. The Company is in compliance with these debt covenants as at December 31, 2016 and 2015.

The Company's ₱800.0 million loan with BPI is subject to affirmative debt covenants, including maintaining and preserving corporate existence, rights, privileges and franchises, keeping proper and adequate accounting records, complying with laws, and furnishing BPI with audited financial statements and interim financial reporting statements, among others. It is also subject to negative covenants, including not making material changes in business, not making material changes in its ownership, engaging in business not authorized by its articles of incorporation, and assigning, transferring or conveying any right to receive income or revenues except in the ordinary course of business, among others. In addition, the Company is required not to exceed a Debt-to-Equity ratio of 3.0 and to maintain a Debt Service Coverage ratio of at least 1.3. The Company is in compliance with these debt covenants as at December 31, 2016 and 2015.

18. Capital Stock

The movements in the number of shares are as follows:

	2016	2015
Authorized - ₱1 par value	₱1,450,000,000	₱1,450,000,000
Issued and subscribed:		
Balance at beginning of the year	₱1,086,149,410	₱1,081,040,314
Issuances during the year	5,119,125	5,109,096
Balance at end of year	1,091,268,535	1,086,149,410
Subscriptions receivable	(17,177,884)	(17,177,884)
	₱1,074,090,651	₱1,068,971,526

The Company's common stock held in treasury consists of 16.4 million shares costing ₱180.5 million as at December 31, 2016 and 2015.

As required by SRC Rule 68, as Amended (2011), Annex 68-D, below is the summary of the Company's track record of registration of securities.

	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31	
				2016	2015
Common shares	75,000,000	₱9	June 21, 1993	3,075	3,118



19. Retained Earnings

Cash dividend declarations for 2016 and 2015 follow:

2016				
Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
April 6	April 21	May 6	₱0.86	₱919,434,837
November 11	November 28	December 12	1.00	1,072,807,848
			₱1.86	₱1,992,242,685

2015				
Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
April 7	May 7	May 29	₱0.80	₱851,349,864
November 9	November 26	December 9	0.97	1,035,509,750
			₱1.77	₱1,886,859,614

The Company has a cash dividend policy of declaring one-third of its net income for the year as cash dividends. It uses its best estimate of its net income as basis for declaring such cash dividends. Actual cash dividends per share declared as a percent of the consolidated basic earnings per share of the Jollibee Group are 32.4% and 38.3% in 2016 and 2015, respectively.

An important part of the Company's growth strategy is the acquisition of businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,979.8 million), 100% of Chowking US operations in 2011 (₱659.9 million), 55% of San Pin Wang (₱195.9 million) in 2012, 48% of WJ Investments Limited (₱98.0 million) in 2012, 40% of Smashburger in the USA in 2015 (₱4,629.5 million), the remaining 30% minority share in Mang Inasal in 2016 (₱2,000.0 million), 30% of Cargill Poultry Meats in 2016 (₱233.4 million), 30% of Cargill Realty in 2016 (₱10.6 million) and 100% of GSC in 2016 (₱8.6 million).

The Company plans to continue to make substantial acquisitions in the next few years. The Company uses its cash generated from operations and from debt financing to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay making the level of retained earnings higher than the paid-in capital stock.

On February 15, 2012, the BOD of the Company approved an additional appropriation of retained earnings to be used for future expansion and to support the Company's growth strategy, increasing the existing appropriation to ₱5,000.0 million as at December 31, 2012. On April 11, 2013 and April 6, 2016, the BOD of the Company approved the appropriation of another ₱5,200.0 million and ₱8,000.0 million, respectively, for capital expenditures covering new stores, store renovations



and commissary improvements and expansion. The appropriated retained earnings of the Company amounted to ₱18,200.0 million as at December 31, 2016, details of which are as follows:

Project	Timeline	Amount
Acquisition of businesses	2013-2018	₱7,600,000,000
Capital expenditures	2013-2018	2,600,000,000
Capital expenditures	2016-2018	8,000,000,000
		₱18,200,000,000

The unappropriated retained earnings is also restricted for the payment of dividends to the extent of the cost of common stock held in treasury amounting to ₱180.5 million as at December 31, 2016 and 2015.

20. Royalty and Franchise Fees

The Company has existing Royalty and Franchise Agreements with certain subsidiaries and independent franchisees for the latter to operate QSR outlets under the “Jollibee” concept and trade name. In consideration thereof, the franchisees agree to pay franchise fees and monthly royalty fees equivalent to a certain percentage of the subsidiaries’ and independent franchisees’ net sales. Royalty and franchise fee revenues amounted to ₱4,224.5 million and ₱3,670.8 million in 2016 and 2015, respectively (see Note 28).

21. Cost of Sales and Services

This account consists of:

	2016	2015
Cost of Sales		
Cost of inventories (see Note 28)	₱28,700,960,737	₱25,843,664,391
Personnel expenses:		
Salaries, wages and employee benefits	2,015,184,130	2,184,574,150
Pension expense (see Note 26)	70,910,825	60,848,403
Contracted services	1,513,710,308	810,192,690
Rent (see Notes 28 and 29)	1,361,860,501	1,120,994,581
Freight (see Note 28)	1,258,682,914	1,110,781,681
Electricity and other utilities	1,016,273,791	993,361,898
Depreciation and amortization (see Notes 11 and 13)	847,169,123	720,875,422
Service fees (see Note 28)	791,464,105	619,534,592
Supplies	500,248,899	480,500,617
Repairs and maintenance	399,500,196	243,075,586
Security and janitorial	182,009,029	154,681,645
Transportation and travel	96,124,061	86,837,470
Taxes and licenses	70,220,406	50,954,844
Communication	32,385,680	31,996,252
Entertainment, amusement and recreation	13,755,089	13,978,409
Professional fees	716,252	1,330,933
Others	685,627,143	647,105,450
	39,556,803,189	35,175,289,014



	2016	2015
Cost of Services		
Cost of labor and materials	₱325,386,626	₱364,603,084
Rent (see Note 29)	73,498,954	85,880,362
Service fees (see Note 28)	55,914,351	48,584,101
Depreciation and amortization (see Notes 11 and 13)	36,882,681	36,478,786
Taxes and licenses	11,572,279	24,197,209
Supplies	7,500,000	7,500,000
Security and janitorial	1,178,249	1,499,299
Others	2,146,866	5,030,698
	514,080,006	573,773,539
	₱40,070,883,195	₱35,749,062,553

Others consist of delivery costs, Company's share in common usage area and insurance.

22. General and Administrative Expenses

This account consists of:

	2016	2015
Personnel expenses:		
Salaries, wages and employee benefits	₱2,759,049,741	₱2,234,232,115
Stock options expense (see Note 27)	221,694,219	161,198,902
Pension expense (see Note 26)	135,263,631	112,653,258
Service and management fees (see Note 28)	658,145,528	679,947,654
Taxes and licenses	480,389,843	465,027,766
Professional fees	476,346,431	301,401,772
Corporate events and research	313,994,989	200,092,404
Depreciation and amortization (see Notes 11, 12 and 13)	283,668,252	271,909,242
Rent (see Notes 28 and 29)	249,182,518	199,651,900
Transportation and travel	228,507,576	188,861,746
Trainings and seminars	124,655,755	69,388,417
Repairs and maintenance	114,396,160	101,318,315
Subscriptions	98,989,304	48,507,597
Donations	81,800,880	101,906,043
Provisions (reversals) for impairment loss/ write-down of:		
Receivables (see Note 6)	10,217,086	171,490,794
Inventories (see Note 7)	53,637,686	(595,212)
Contracted services	63,151,479	54,416,625
Communication	50,515,949	65,885,012
Association dues	48,413,717	49,899,367
Supplies	34,917,380	36,559,076
Freight charges	32,365,233	20,356,696
Entertainment, amusement and recreation	23,247,527	32,307,888
Electricity and other utilities	21,595,389	21,037,310
Insurance	12,204,873	8,364,540
Security and janitorial	8,205,422	7,748,482
Others	250,974,983	118,613,433
	₱6,835,531,551	₱5,722,181,142



23. Interest Income (Expense)

The Company's interest income and expenses consist of the following:

	2016	2015
Interest income:		
Advances to related parties (see Note 28)	₱33,843,836	₱15,728,767
Cash and cash equivalents (see Note 5)	15,394,827	11,583,076
Accretion of interest on refundable deposits and employees' car plan receivables (see Note 14)	12,184,517	11,138,406
	61,423,180	38,450,249
Interest expense:		
Short-term and long-term debt (see Note 17)	(103,910,430)	(130,686,766)
Due to related parties (see Note 28)	(35,763,729)	(28,114,976)
Accretion of interest on customers' deposits (see Note 15)	(1,026,288)	(981,664)
	(140,700,447)	(159,783,406)
	(₱79,277,267)	(₱121,333,157)

24. Other Income - Net

This account consists of:

	2016	2015
Dividend income (see Note 28)	₱2,471,300,000	₱2,221,500,000
Management fees (see Note 28)	585,341,058	496,974,689
Write-off of long-outstanding liabilities	389,579,423	479,642,996
Net foreign exchange gain (see Note 30)	65,976,868	41,056,264
Net gain on disposal of property, plant and equipment (see Note 11)	2,286,207	6,234,631
Pre-termination of operating leases	—	2,158,378
Others	132,271,003	123,137,711
	₱3,646,754,559	₱3,370,704,669

Others consist mainly of income from charges to truckers and suppliers, insurance claims and salary charges for borrowed staff. Net foreign exchange gain represents foreign exchange gains less foreign exchange losses whereas net gain on disposal of property, plant and equipment represents net gains less net losses.

25. Income Taxes

The provision for current income tax consists of the following:

	2016	2015
Final taxes on:		
Royalty and franchise fees	₱819,022,449	₱713,131,008
Interest income	2,984,270	2,316,223
MCIT	179,132,310	143,305,807
	₱1,001,139,029	₱858,753,038



As at December 31, 2016, the Company's NOLCO and excess MCIT over RCIT, which can be carried forward and claimed as deduction against regular taxable income and as tax credit against RCIT due, respectively, are as follows:

Year Incurred	Expiry	NOLCO	MCIT
2014	2017	₱860,064,294	₱128,835,204
2015	2018	778,074,446	143,305,807
2016	2019	1,037,768,615	179,132,310
		₱2,675,907,355	₱451,273,321

MCIT incurred in 2013 amounting to ₱2.2 million expired in 2016. The details of the Company's deferred tax assets and liabilities are as follows:

	2016	2015
Deferred tax assets:		
NOLCO	₱802,772,207	₱491,441,622
Excess of MCIT over RCIT	451,273,321	274,345,181
Pension liability	337,672,499	298,636,400
Operating lease payables	229,977,226	203,677,232
Allowance for impairment losses on:		
Receivables	62,361,975	59,296,849
Inventories	17,937,622	1,846,316
Prepaid leases	5,226,938	6,500,460
Provision for bonus	75,498,468	—
Unrealized foreign exchange loss	17,911,412	105,983,051
Provisions	9,150,192	9,150,192
Unamortized past service cost	5,579,283	8,368,926
Unaccreted discount on:		
Refundable deposits	5,322,913	3,599,252
Employees' car plan receivables	2,733,944	2,841,255
Unamortized discount on customers' liability	1,304,689	996,802
Deferred rent revenue	2,310	2,310
	2,024,724,999	1,466,685,848
Deferred tax liabilities:		
Prepaid rent	60,795,657	42,854,387
Unrealized foreign exchange gain	40,978,829	118,474,252
Deferred rent expense	10,095,301	8,120,053
Deferred compensation expense	3,456,348	2,841,255
Operating lease receivables	3,324,325	6,273,875
Net unrealized gain on available-for-sale financial assets	459,500	—
	119,109,960	178,563,822
	₱1,905,615,039	₱1,288,122,026



The reconciliation between provision for income tax computed using income before income tax at the statutory tax rate of 30% with the provision for income tax as shown in the parent company statements of comprehensive income are as follows:

	2016	2015
Provision for income tax at statutory tax rate of 30%	₱1,688,647,307	₱1,470,006,691
Tax effects of:		
Dividend income	(741,390,000)	(666,450,000)
Effect of different tax rates for royalty and interest income	(411,003,821)	(357,723,611)
Nondeductible expenses	68,764,601	49,696,074
Intrinsic value of stock options exercised	(196,451,979)	(85,561,907)
Expired MCIT	2,204,170	—
	₱410,770,278	₱409,967,247

26. Pension Benefits

The Company has a funded, independently-administered, non-contributory defined benefit retirement plan covering all regular and permanent employees with benefits based on years of service and latest compensation. The plan provides for a lump sum benefit payment upon retirement.

The funds are administered by a trustee bank. Subject to the specific instructions provided by the Company in writing, the Company directs the trustee bank to hold, invest and reinvest the funds, and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain government securities and bonds, quoted equity securities, and short-term fixed income securities.

Under the existing regulatory framework, Republic Act No. 7641, Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of "Pension expense", included under "Cost of sales and services" and "General and administrative expenses" accounts in the parent company statements of comprehensive income and "Pension liability" account in the parent company statement of financial position, which are based on the latest actuarial valuation.

Changes in pension liability of the Company in 2016 are as follows:

	Present Value of Defined Benefit Plan	Fair Value of Plan Assets	Pension Liability
At January 1, 2016	₱1,987,633,605	₱992,178,937	₱995,454,668
Pension expense (see Notes 21 and 22):			
Current service cost	151,022,643	—	151,022,643
Net interest	99,381,680	49,608,947	49,772,733
Transferred in	12,085,007	—	12,085,007
Transferred out	(6,705,927)	—	(6,705,927)
	255,783,403	49,608,947	206,174,456



	Present Value of Defined Benefit Plan	Fair Value of Plan Assets	Pension Liability
Benefits paid	(P60,236,345)	(P60,236,345)	P-
Remeasurements in other comprehensive income:			
Actuarial changes due to experience adjustment	89,249,269	-	89,249,269
Actuarial changes arising from changes in financial assumptions	(39,479,535)	-	(39,479,535)
Return on plan assets (excluding amount included in net interest)	-	(42,176,140)	42,176,140
	49,769,734	(42,176,140)	91,945,874
Contributions	-	168,000,000	(168,000,000)
At December 31, 2016	P2,232,950,397	P1,107,375,399	P1,125,574,998

Changes in pension liability of the Company in 2015 are as follows:

	Present Value of Defined Benefit Plan	Fair Value of Plan Assets	Pension Liability
At January 1, 2015	P1,327,494,180	P1,028,515,252	P298,978,928
Pension expense (see Notes 21 and 22):			
Current service cost	150,401,428	-	150,401,428
Net interest	90,122,812	47,311,702	42,811,110
Transferred out	(19,710,877)	-	(19,710,877)
	220,813,363	47,311,702	173,501,661
Benefits paid	(54,751,145)	(54,751,145)	-
Remeasurements in other comprehensive income:			
Actuarial changes due to experience adjustment	724,748,178	-	724,748,178
Actuarial changes arising from changes in financial assumptions	(239,577,056)	-	(239,577,056)
Actuarial changes arising from changes in demographic assumptions	8,906,085	-	8,906,085
Return on plan assets (excluding amount included in net interest)	-	(28,896,872)	28,896,872
	494,077,207	(28,896,872)	522,974,079
At December 31, 2015	P1,987,633,605	P992,178,937	P995,454,668

The actual return on plan assets amounted to P7.4 million and P18.4 million in 2016 and 2015, respectively.

The following table presents the estimated fair values of the plan assets:

	2016	2015
Cash and cash equivalents:		
Short-term deposits	P181,370,000	P61,240,068
Cash in banks	5,171,281	100,308
Investment in debt securities	156,838,821	164,000,594
Investments in Philippine government securities:		
Fixed-rate treasury notes	439,313,607	450,661,938
Retail treasury bonds	137,830,513	143,388,985

(Forward)



	2016	2015
Interest and dividends receivable	₱12,730,688	₱12,899,449
Investments in quoted equity securities:		
Holding firms	128,614,200	84,027,000
Property	47,214,840	51,241,354
Banks	42,323,000	32,810,051
Food and beverage	28,686,350	54,810,090
Electricity, energy, power & water	21,710,900	17,884,950
Telecommunications	13,327,500	15,300,400
Others	4,539,750	11,160,350
Others	42,222	—
Fund liabilities	(112,338,273)	(107,346,600)
	₱1,107,375,399	₱992,178,937

The plan's assets and investments consist of the following:

- Investments in debt securities consist of long-term corporate bonds in the power sector, which bear interest ranging from 6.30%-7.75% maturing on April 2017;
- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 3.25%-7.38% and have maturities from August 2020 to October 2037 and fixed-rate treasury notes that bear interest ranging from 2.88%-8.5% and have maturities from March 2017 to August 2037;
- Investments in shares of stocks listed in the Philippine Stock Exchange; and,
- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

The principal assumptions used to determine pension liability are as follows:

	December 31, 2016	December 31, 2015
Discount rate	5.20%	5.00%
Salary increase rate	6.00%	6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2016 and 2015, assuming all other assumptions were held constant:

Increase (decrease) in the present value of defined benefit obligation based on changes in principal assumptions are as follows:

	Increase (Decrease) in Basis Points	2016	2015
Discount rate	50	(₱93,573,131)	(₱86,690,481)
	(50)	101,045,147	93,756,530
Salary increase rate	50	99,763,644	92,383,603
	(50)	(93,316,962)	(86,295,211)

The Company does not perform any asset-liability matching study. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trustee bank, in compliance with the Bangko Sentral ng Pilipinas requirements. It does not, however, ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.



The Company expects to contribute ₱360.1 million to the retirement fund in 2017.

The average duration of the defined benefit obligation is 10 years as at December 31, 2016 and 2015.

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

	2016	2015
Less than 1 year	₱396,493,370	₱352,664,445
More than 1 year to 5 years	728,067,694	632,681,442
More than 5 years to 10 years	1,281,513,376	1,107,588,486
More than 10 years to 15 years	1,426,632,215	1,309,919,358
More than 15 years to 20 years	1,404,408,670	1,201,773,212
More than 20 years	3,689,190,279	3,327,547,073

27. Stock Options Plan

On December 17, 2002, the SEC approved the exemption requested by the Company on the registration requirements of the 101,500,000 options underlying the Company's common shares to be issued pursuant to the Company's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the Company, certain subsidiaries and designated affiliated entities.

The Plan is divided into two programs, namely, the Management Stock Option Program (MSOP) and the Executive Long-term Incentive Program (ELTIP). The MSOP provides a yearly stock option grant program based on company and individual performance while the ELTIP provides stock ownership as an incentive to reinforce entrepreneurial and long-term ownership behavior of participants.

MSOP. The MSOP is a yearly stock option grant program open to members of the corporate management committee of the Company and members of the management, key talents and designated consultants of some of the business units.

Each MSOP cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. Vesting is conditional on the employment of the employee-participants in the Company within the vesting period. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date until the third anniversary.

The exercise price of the stock options is determined by the Company with reference to the prevailing market prices over the three months immediately preceding the date of grant for the 1st to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the Company with reference to the closing market price as at date of grant.

The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the grant date. For instance, under the 1st MSOP cycle, the Compensation Committee of the Jollibee Group granted 2,385,000 options to eligible participants on July 1, 2004. One-third of the options granted, or 795,000 options, vested and may be exercised starting July 1, 2005. The exercise period for the 1st MSOP cycle was until June 30, 2012. From July 1, 2005 to August 25, 2015, the Compensation Committee granted series of MSOP grants under the 2nd to 12th MSOP cycle to eligible participants. Under



the most recent grant, the 13th MSOP cycle, the Compensation Committee granted 2,865,500 options. These options are similar to the 1st MSOP cycle.

The stock options under MSOP expire eight years after grant date. The 1st, 2nd, 3rd, 4th and 5th MSOP cycles expired on June 30, 2012, 2013, 2014, 2015 and 2016, respectively.

The Company does not pay cash as a form of settlement.

The movements in the number of stock options outstanding under MSOP and related weighted average exercise prices (WAEP) for the years ended December 31, 2016 and 2015 follow:

	2016		2015	
	Number of options	WAEP	Number of options	WAEP
Total options granted as at end of year	42,986,294	₱92.47	40,120,794	₱82.22
Outstanding at beginning of year	14,868,437	₱133.32	13,609,275	₱117.51
Options granted during the year	2,865,500	236.00	3,257,600	179.99
Options exercised during the year	(2,259,125)	87.40	(1,380,628)	100.42
Options forfeited during the year	(218,614)	129.31	(617,810)	104.73
Outstanding at end of year	15,256,198	₱159.46	14,868,437	₱133.32
Exercisable at end of year	9,141,965	₱128.20	8,262,670	₱100.95

The weighted average share price was ₱227.53 and ₱206.05 in 2016 and 2015, respectively. The weighted average remaining contractual life for the stock options outstanding as at December 31, 2016 and 2015 is 5.17 years and 5.19 years, respectively.

The fair value of stock options granted in 2016 and 2015 is ₱31.16 and ₱26.13, respectively. The fair value of the stock share options as at grant date is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the expiry date.

The inputs to the model used for the options granted for each MSOP cycle are as follows:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2 nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3 rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4 th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5 th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6 th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7 th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8 th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9 th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10 th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11 th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13 th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00



ELTIP. The ELTIP entitlement is given to members of the management committee.

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Actual grant and vesting is conditional upon achievement of the Jollibee Group's medium to long-term goals and individual targets in a given period, and the employment of the employee-participants in the Company within the vesting period. If the goals are achieved, the options will be granted. Starting with the 3rd ELTIP cycle, a percentage of the options to be granted are based on the percentage of growth in annual earnings per share such that 100%, 50% or 25% of the options are granted when percentage of growth in annual earnings per share is 12% and above, 10% to less than 12% or 8% to less than 10%, respectively. For the 4th ELTIP cycle, the percentage of the options to be granted and the target percentage of growth in annual earnings per share have been revised such that 150%, 100% or 50% of the options granted when percentage of growth in annual earnings per share is 15% and above, 12% to less than 15% or 10% to less than 12%, respectively.

The exercise price of the stock options for the 1st and 2nd ELTIP cycles is determined by the Company with reference to the prevailing market prices over the three months immediately preceding the date of entitlement. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Company with reference to the closing market price as at date of the grant.

The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals were achieved. Under the 1st ELTIP cycle, the Compensation Committee of the Jollibee Group gave an entitlement of 22,750,000 options to eligible participants. One-third of the options granted, or 7,583,333 options, vested and may be exercised starting July 1, 2007 until June 30, 2012. On July 1, 2008, October 19, 2012 and August 25, 2015, entitlement to 20,399,999, 24,350,000 and 11,470,000 options were given to eligible participants under the 2nd, 3rd and 4th ELTIP cycles, respectively.

The stock options granted under the 1st ELTIP cycle expired on June 30, 2012 while the stock options granted under the 2nd, 3rd and 4th ELTIP cycles will expire on April 30, 2017, 2020 and 2023, respectively.

The Company does not pay cash as a form of settlement.

The movements in the number of stock options outstanding under ELTIP and related WAEP for the years ended December 31, 2016 and 2015 follow:

	2016		2015	
	Number of options	WAEP	Number of options	WAEP
Total options given as at the end of year	78,969,999	P74.58	78,969,999	P74.58
Outstanding at beginning of year	38,344,999	P117.74	31,270,560	P90.06
Options granted during the year	—	—	11,470,000	180.00
Options exercised during the year	(2,892,770)	59.59	(3,728,468)	79.46
Options forfeited during the year	(333,333)	105.00	(667,093)	105.00
Outstanding at end of year	35,118,896	P122.65	38,344,999	P117.74
Exercisable at end of year	15,615,420	P89.60	10,808,048	P70.59

The weighted average remaining contractual life for the stock options outstanding as at December 31, 2016 and 2015 is 4.00 years and 4.85 years, respectively.



The fair value of stock options granted is ₱26.13 in 2015. There were no additional stock option grants under ELTIP in 2016. The fair value of share options as at grant date is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because this option plan allows exercise before the maturity date.

The inputs to the model used for the options granted for each ELTIP cycle are as follows:

ELTIP cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2 nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3 rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00
4 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00

The cost of the stock options charged to operations under “General and administrative expenses” account for both MSOP and ELTIP amounted to ₱221.7 million and ₱161.2 million in 2016 and 2015, respectively (see Note 22). The cost of share options for employees of the subsidiaries amounted to ₱19.6 million and ₱12.0 million in 2016 and 2015, respectively, and was recognized as additional investments in subsidiaries (see Note 10).

28. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Individuals owning, directly or indirectly, an interest in the voting power of the Company that give them significant influence over the enterprise; key management personnel, including directors and officers of the Company; and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In the normal course of business, the Company engages in transactions with its subsidiaries and other related parties.



The following table provides the summary of transactions that have been entered into with related parties as at and for the years ended December 31, 2016 and 2015:

Category	Volume of Transactions		Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2016	2015		
Subsidiaries:						
Fresh N' Famous						
Sales	₱88,171,068	₱105,834,464	₱24,475,402	₱14,387,477	On demand; Noninterest-bearing	Unsecured; No impairment
Service Fee Revenue	202,755,605	78,531,094	20,198,239	8,475,838	On demand; Noninterest-bearing	Unsecured; No impairment
Rent Revenue	33,775,798	33,282,258	25,060	-	On demand; Noninterest-bearing	Unsecured; No impairment
Management Fee Revenue	105,467,524	73,694,315	-	6,772,036	On demand; Noninterest-bearing	Unsecured; No impairment
Dividend Income	1,000,000,000	670,000,000	-	-	On demand; Noninterest-bearing	Unsecured
Purchases	56,660,355	34,059,991	(386,592)	(5,342,405)	On demand; Noninterest-bearing	Unsecured
Management Fee Expense	3,091,318	1,626,382	-	-		
Royalty Expense	-	58,698	-	-		
Interest Expense	25,744,422	23,423,935	(2,347,699)	(2,167,107)	Monthly; Fixed and floating interest rates	Unsecured
Due to FNF	200,000,000	-	(949,000,000)	(749,000,000)	3-month to 5-year terms; Fixed and floating interest rates	Unsecured
Pass-on Charges - Receivables	-	-	13,938,811	5,975,892	On demand; Noninterest-bearing	Unsecured; No impairment
Pass-on Charges - Payables	-	-	-	(640,868)	On demand; Noninterest-bearing	Unsecured
Zenith						
Sales	1,103,678	17,011,712	-	4,668,018	On demand; Noninterest-bearing	Unsecured; No impairment
Service Fee Revenue	53,156,250	14,752,057	-	-		
Rent Revenue	17,309,570	22,144,568	6,305,475	3,546,488	On demand; Noninterest-bearing	Unsecured; No impairment
Management Fee Revenue	34,346,712	53,194,395	-	4,663,950	On demand; Noninterest-bearing	Unsecured; No impairment
Dividend Income	700,000,000	770,000,000	-	-		
Purchases	7,659,412,216	8,325,416,817	(215,560,304)	(280,247,856)	On demand; Noninterest-bearing	Unsecured
Service Fee Expense	30,827,916	28,895,034	-	-		
Interest Expense	2,761,644	-	-	-		
Pass-on Charges - Receivables	-	-	4,220,440	147,401	On demand; Noninterest-bearing	Unsecured; No impairment
RRBI						
Sales	9,421,203	5,447,627	547,199	1,635,988	On demand; Noninterest-bearing	Unsecured; No impairment
Service Fee Revenue	64,705,909	12,846,600	1,068,234	580,964	On demand; Noninterest-bearing	Unsecured; No impairment
Rent Revenue	17,312,712	15,937,172	-	112,717	On demand; Noninterest-bearing	Unsecured; No impairment
Management Fee Revenue	46,571,060	39,888,735	-	3,659,522	On demand; Noninterest-bearing	Unsecured; No impairment
Purchases	41,220,553	16,123,195	(2,769,858)	(27,399,690)	On demand; Noninterest-bearing	Unsecured
Management Fee Expense	1,563,552	500,910	(269,168)	-		
Pass-on Charges - Receivables	-	-	6,100,431	1,128,676	On demand; Noninterest-bearing	Unsecured; No impairment
Pass-on Charges - Payables	-	-	-	(1,629,955)	On demand; Noninterest-bearing	Unsecured



Category	Volume of Transactions		Outstanding Receivable (Payable)		Terms		Conditions
	2016	2015	2016	2015	2015	2015	
RRBH							
Rent Revenue	P8,508	P2,956	P-	P-			
Dividend Income	200,000,000	550,000,000	-	-			
Interest Expense	90,411	-	-	-			
Grandworth							
Rent Revenue	8,026	10,539	-	-			
Dividend Income	46,300,000	95,000,000	-	-			
Rent Expense	43,382,270	46,814,716	(14,351,901)	(17,572,497)	On demand; Noninterest-bearing	Unsecured	
Pass-on Charges - Receivables	-	-	-	-	On demand; Noninterest-bearing	Unsecured; No impairment	
Pass-on Charges - Payables	-	-	-	-	On demand; Noninterest-bearing	Unsecured	
Freemont							
Sales	4,896,311,728	4,107,975,359	660,781,370	690,082,709	On demand; Noninterest-bearing	Unsecured; No impairment	
Royalty Income	955,680,069	793,092,354	-	140,636,912	On demand; Noninterest-bearing	Unsecured; No impairment	
Advertising	318,560,023	264,364,118	2,317,082	56,739,963	On demand; Noninterest-bearing	Unsecured; No impairment	
Service Fee Revenue	53,891,718	32,414,200	-	4,863,671	On demand; Noninterest-bearing	Unsecured; No impairment	
Rent Revenue	(122,564)	31,159	-	-			
Management Fee Revenue	318,527,974	264,371,522	34,427,495	48,252,867	On demand; Noninterest-bearing	Unsecured; No impairment	
Pass-on Charges - Receivables	-	-	129,885,372	35,439,591	On demand; Noninterest-bearing	Unsecured; No impairment	
Pass-on Charges - Payables	-	-	(227,311)	(17,580,904)	On demand; Noninterest-bearing	Unsecured	
JWS							
Sales	45,674	656,147	-	18,817	On demand; Noninterest-bearing	Unsecured; No impairment	
Service Fee Revenue	919,472	780,065	-	-			
Rent Revenue	146,760,622	131,766,835	4,775,607	17,384,104	On demand; Noninterest-bearing	Unsecured; No impairment	
Management Fee Revenue	-	3,172,535	-	-			
Service Fee and Freight Expense	2,250,767,825	1,893,485,987	(315,205,209)	(140,013,545)	On demand; Noninterest-bearing	Unsecured	
Management Fee Expense	83,455,128	96,100,989	(3,531,400)	(4,706,372)	On demand; Noninterest-bearing	Unsecured	
Interest Expense	4,734,375	4,691,042	(470,167)	(434,000)	Monthly; Floating interest rate	Unsecured	
Due to JWS	-	-	(150,000,000)	(150,000,000)	5-year term; Floating interest rate	Unsecured	
Pass-on Charges - Receivables	-	-	27,963,381	7,483,143	On demand; Noninterest-bearing	Unsecured; No impairment	
Pass-on Charges - Payables	-	-	-	(426,201)	On demand; Noninterest-bearing	Unsecured	
Mang Inasal							
Sales	46,995,081	11,125,323	7,972,642	52,357	On demand; Noninterest-bearing	Unsecured; No impairment	
Service Fee Revenue	43,908,603	11,688,409	2,856,200	78,224	On demand; Noninterest-bearing	Unsecured; No impairment	
Rent Revenue	4,255,061	3,552,002	-	29,152	On demand; Noninterest-bearing	Unsecured; No impairment	
Management Fee Revenue	60,964,255	45,060,365	-	4,249,693	On demand; Noninterest-bearing	Unsecured; No impairment	
Dividend Income	525,000,000	136,500,000	-	-			
Service Fee Expense	3,823	32,843	-	-			
Interest expense	2,432,877	-	-	-			



Category	Volume of Transactions		Outstanding Receivable (Payable)		Terms		Conditions
	2016	2015	2016	2015	2016	2015	
	₹600,000,000	₹-	₹200,000,000	₹-	3-month term; Interest-bearing	On demand; Noninterest-bearing	
Due to Mang Inasal							Unsecured
Pass-on Charges - Receivables	-	-	915,999	7,353,072	On demand; Noninterest-bearing		Unsecured; No impairment
Burger King							
Sales	590,203	473,451	17,096,486	574,877	On demand; Noninterest-bearing		Unsecured; No impairment
Service Fee Revenue	13,714,079	3,743,425	16,383,532	13,565,505	On demand; Noninterest-bearing		Unsecured; No impairment
Rent Revenue	2,734,593	277,857	2,643,984	211,337	On demand; Noninterest-bearing		Unsecured; No impairment
Management Fee Revenue	19,463,533	17,592,822	45,836,254	34,063,791	On demand; Noninterest-bearing		Unsecured; No impairment
Interest Income	33,843,836	15,728,767	-	-			
Due from BK	300,000,000	300,000,000	908,000,000	608,000,000	3-month to 5-year terms; Interest-bearing		Unsecured; No impairment
Pass-on Charges - Receivables	-	-	21,918,563	6,061,765	On demand; Noninterest-bearing		Unsecured; No impairment
Pass-on Charges - Payables	-	-	-	(199,290)	On demand; Noninterest-bearing		Unsecured
Adgraphix							
Marketing collaterals	-	-	(26,408,474)	(28,133,233)	On demand; Noninterest-bearing		Unsecured
HFC							
Sales	174,887,775	156,300,387	565,253,598	301,901,226	On demand; Noninterest-bearing		Unsecured; No impairment
Pass-on Charges - Receivables	-	-	62,772,961	105,135,243	On demand; Noninterest-bearing		Unsecured; No impairment
JWPL							
Royalty Income	85,034,565	63,780,015	-	-			
Due from JWPL	-	29,033,994	334,075,460	436,215,200	On demand; Noninterest-bearing		Unsecured; No impairment
Pass-on Charges - Receivables	-	-	-	13,702,853	On demand; Noninterest-bearing		Unsecured; No impairment
Jollibee Vietnam Corporation Ltd.							
Sales	23,071,355	6,074,447	184,391,715	59,195,887	On demand; Noninterest-bearing		Unsecured; No impairment
Service Fee Revenue	-	-	-	6,475,036	On demand; Noninterest-bearing		Unsecured; No impairment
Rent Revenue	-	-	-	48,221	On demand; Noninterest-bearing		Unsecured; No impairment
Management Fee Revenue	-	-	-	58,380,392	On demand; Noninterest-bearing		Unsecured; No impairment
Pass-on Charges - Receivables	-	-	95,097,226	111,543,856	On demand; Noninterest-bearing		Unsecured; No impairment
PT Chowling Indonesia							
Pass-on Charges - Receivables	-	-	25,610,401	23,533,882	On demand; Noninterest-bearing		Unsecured; No impairment
RRBI USA							
Pass-on Charges - Receivables	-	-	497,069	759,970	On demand; Noninterest-bearing		Unsecured; No impairment



Category	Volume of Transactions		Outstanding		Terms	Conditions
	2016	2015	2016	2015		
TTC						
Sales						
Pass-on Charges - Receivables	¥11,348,654	¥6,441	¥18,496,831	¥5,100,586	On demand; Noninterest-bearing	Unsecured; No impairment
	-	-	1,453,905	13,587,964	On demand; Noninterest-bearing	Unsecured; No impairment
Golden Beeworks Pte. Ltd.						
Sales						
Service Fee Revenue	23,078,877	14,227,792	34,518,266	18,685,770	On demand; Noninterest-bearing	Unsecured; No impairment
Pass-on Charges - Receivables	3,524	881	-	-		
	-	-	3,606,547	3,844,127	On demand; Noninterest-bearing	Unsecured; No impairment
Hong Zhuang Yuan						
Due to HZY	-	-	(7,759,610)	(7,759,610)	On demand; Noninterest-bearing	Unsecured
Pass-on Charges - Receivables	-	-	2,095,999	1,469,103	On demand; Noninterest-bearing	Unsecured; No impairment
Shanghai Yong He King						
Pass-on Charges - Receivables	-	-	23,708,099	21,994,583	On demand; Noninterest-bearing	Unsecured; No impairment
Beijing Yong He King						
Pass-on Charges - Receivables	-	-	4,715,221	3,601,424	On demand; Noninterest-bearing	Unsecured; No impairment
Shenzhen Yong He King						
Pass-on Charges - Receivables	-	-	3,163,938	2,580,266	On demand; Noninterest-bearing	Unsecured; No impairment
Hangzhou Yongtong						
Pass-on Charges - Receivables	-	-	1,890,641	1,175,119	On demand; Noninterest-bearing	Unsecured; No impairment
Hangzhou Yong He King						
Pass-on Charges - Receivables	-	-	1,724,071	1,344,213	On demand; Noninterest-bearing	Unsecured; No impairment
Wuhan Yong He King						
Pass-on Charges - Receivables	-	-	2,769,329	3,589,817	On demand; Noninterest-bearing	Unsecured; No impairment
JFCC						
Due to Jollibee China	-	-	(49,198,941)	(44,925,918)	On demand; Noninterest-bearing	Unsecured
Pass-on Charges - Receivables	-	-	45,241,967	39,541,902	On demand; Noninterest-bearing	Unsecured; No impairment
San Pin Wang						
Pass-on Charges - Receivables	-	-	1,437,568	2,809,282	On demand; Noninterest-bearing	Unsecured; No impairment
Hong Kong						
Pass-on Charges - Receivables	-	-	438,951	415,467	On demand; Noninterest-bearing	Unsecured; No impairment



Category	Volume of Transactions		Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2016	2015		
SBE/MAC						
Pass-on Charges - Receivables	P-	P-	P795,730	P1,550,629	On demand; Noninterest-bearing	Unsecured; No impairment
GPPL						
Pass-on Charges - Receivables	-	-	-	128,908	On demand; Noninterest-bearing	Unsecured; No impairment
Centenary Ventures Ltd.						
Pass-on Charges - Receivables	-	-	9,689	-	On demand; Noninterest-bearing	Unsecured; No impairment
Beijing Golden Coffee Cup Food and Beverage Management Co., Ltd.						
Pass-on Charges - Receivables	-	-	576,092	-	On demand; Noninterest-bearing	Unsecured; No impairment
Happy Bee Foods Processing (Anhui) Co. Ltd.						
Pass-on Charges - Receivables	-	-	1,359,248	-	On demand; Noninterest-bearing	Unsecured; No impairment
Affiliate - Jollibee Group Foundation, Inc.						
Sales	527,622	242,860	-	23,160	On demand; Noninterest-bearing	Unsecured; No impairment
Service Fee Revenue	54,514	58,379	37,666	-	On demand; Noninterest-bearing	Unsecured; No impairment
Rent Revenue	532,253	178,294	-	-	On demand; Noninterest-bearing	Unsecured; No impairment
Pass-on Charges - Receivables	-	-	1,086,240	1,106,738	On demand; Noninterest-bearing	Unsecured; No impairment
Total related party transactions:						
Sales	P5,275,552,918	P4,425,376,010				
Service Fee Revenue	433,109,674	154,815,110				
Rent Revenue	222,574,579	207,183,640				
Management Fee Revenue (see Note 24)	585,341,058	496,974,689				
Royalty Income (see Note 20)	1,040,714,634	856,872,369				
Interest Income (see Note 23)	33,843,836	15,728,767				
Advertising	318,560,023	264,364,118				
Dividend Income (see Note 24)	2,471,300,000	2,221,500,000				
Purchases (see Note 21)	7,757,293,124	8,375,600,003				
Service Fee and Freight Expense (see Notes 21 and 22)	2,281,599,564	1,922,413,864				
Royalty Expense	-	58,698				
Interest Expense (see Note 23)	35,763,729	28,114,977				
Management Fee Expense	88,109,998	98,228,281				
Rent Expense (see Notes 21, 22 and 29)	43,382,270	46,814,716				
Advances to related parties	300,000,000	329,033,994				
Due to related parties	800,000,000	-				



Category	Volume of Transactions		Outstanding Receivable (Payable)		Terms	Conditions
	2016	2015	2016	2015		
Total related party outstanding balances:						
Trade receivables from related parties (see Notes 6, 30 and 31)			₹2,124,321,144	₹1,905,215,386		
Advances to related parties (see Notes 30 and 31)			1,242,075,460	1,044,215,200		
Operating lease receivables (see Notes 29, 30 and 31)			11,081,082	20,912,916		
Trade payables to related parties (see Note 15)			(569,727,247)	(515,540,289)		
Due to related parties (see Notes 30 and 31)			(1,355,958,551)	(951,685,528)		
Operating lease payables (see Notes 29, 30 and 31)			(11,800,836)	(12,994,770)		



Common Transactions with Related Parties

The Company sells and purchases food items to/from related parties at market prices. Purchased items warehoused with related parties are charged for logistics and warehousing costs. Due from related parties are short-term advances made to related parties which are expected to be paid in the subsequent year. Pass-on charges pertain to advances made by a related party for another. These include payments for various expenditures incurred on behalf of another party.

Fresh N' Famous

- a. Fresh N' Famous avails the services of the Company for the plan, design and installation of equipment in Fresh N' Famous' stores.
- b. Fresh N' Famous leases its office space and some store locations from the Company.
- c. Fresh N' Famous pays management fees to the Company for services rendered under an existing Management Services Agreement, which is renewable annually.
- d. On May 6, 2016 and June 6, 2016, the Company received cash dividends from Fresh N' Famous declared on April 6, 2016 payable in two (2) tranches, amounting to ₱250.0 million each or ₱1.67 dividends per share.

On September 29, 2016 and December 9, 2016, the Company received cash dividends from Fresh N' Famous declared on September 29, 2016 and December 2, 2016, respectively, amounting to ₱200.0 million and ₱300.0 million or ₱0.67 and ₱1.00 dividends per share, respectively.

On May 29, 2015, November 10, 2015 and December 8, 2015, the Company received cash dividends from Fresh N' Famous declared on May 27, 2015, November 2, 2015 and December 3, 2015, respectively, amounting to ₱120.0 million, ₱250.0 million and ₱300.0 million or ₱0.40, ₱0.83 and ₱1.00 dividends per share, respectively.

- e. The Company pays management fees to Fresh N' Famous for trainings rendered by their employees.
- f. The Company pays royalties to Fresh N' Famous for the right to operate multi-brand stores.
- g. On April 16, 2012, the Company received advances from Fresh N' Famous amounting to ₱749.0 million. The advances are payable in full on April 16, 2017. The interest rate on the advances is based on money market placement rates plus a spread of 1%, payable on a monthly basis.

On November 3, 2016, the Company received short-term cash advances from Fresh N' Famous amounting to ₱200.0 million, with fixed interest of 2%. The advances and interest were settled in full on February 2, 2017.

Zenith

- a. Zenith pays service fees to the Company for procurement services rendered by the Company's Purchasing Department.



- b. The Company leases out to Zenith the land where the latter's manufacturing plant was built. In 2014, the lease term was extended to end on December 31, 2023. On January 1, 2015, the terms of the agreement were amended to include an escalation clause. Zenith may pre-terminate the lease provided that an advance notice is provided to the Company within the prescribed period as indicated in the agreement.

The future minimum lease receivables on the lease as at December 31, 2016 and 2015 are as follows:

	2016	2015
Within one year	₱17,364,375	₱16,537,500
After one year but not more than five years	78,584,758	74,842,627
More than five years	45,431,755	66,538,261
	₱141,380,888	₱157,918,388

- c. Zenith pays management fees to the Company for services rendered under an existing Management Services Agreement, which is renewable annually.
- d. On September 29, 2016 and December 9, 2016, the Company received cash dividends from Zenith, declared on September 29, 2016 and December 2, 2016, amounting to ₱600.0 million and ₱100.00 million, respectively.
- On November 10, 2015 and December 9, 2015, the Company received cash dividends from Zenith, declared on November 2, 2015 and December 3, 2015, amounting to ₱370.0 million and ₱400.00 million, respectively.
- e. The Company pays service fees to Zenith for supply chain and customer and order management services, including warehousing and logistics services, under an existing Service Contract.
- f. In 2016, the Company received advances from Zenith amounting to ₱600.0 million which was also paid during the year. The interest expense recognized amounted to ₱2.8 million.

RRBI

- a. The Company's Service Engineering Division renders services to Red Ribbon for the repairs and maintenance of Red Ribbon's store equipment and facilities.
- b. Red Ribbon leases its office space from the Company on an annual basis.
- c. Red Ribbon pays management fees to the Company for services rendered under an existing Management Services Agreement, which is renewable annually.
- d. The Company pays management fees to Red Ribbon for trainings rendered by their employees.

RRBH

- a. RRB Holdings leases its office space from the Company.



- b. On May 10, 2016 and December 16 2016, the Company received cash dividends from RRB Holdings declared on April 29, 2016 and December 2, 2016 amounting to ₱150.0 million and ₱50.0 million or ₱94.76 and ₱31.59 dividends per share, respectively.

On May 29, 2015, November 10, 2015 and December 8, 2015, the Company received cash dividends from RRB Holdings declared on May 27, 2015, November 2, 2015 and December 3, 2015 amounting to ₱250.0 million, ₱160.0 million and ₱140.0 million or ₱1.58, ₱1.01 and ₱0.88 dividends per share, respectively.

- c. In 2016, the Company received advances from RRBH amounting to ₱150.0 million in April 29, 2016 which was also paid in May 10, 2016. The interest expense recognized amounted to ₱90,411.

Grandworth

- a. Grandworth leases its office space from the Company on an annual basis.
- b. On April 11, 2016, the Company received cash dividends from Grandworth declared on March 10, 2016 amounting to ₱46.3 million or ₱23.15 dividends per share.

On May 29, 2015, the Company received cash dividends from Grandworth declared on May 27, 2015 amounting to ₱95.0 million.

- c. The Company is a lessee under various operating lease agreements with Grandworth. These lease agreements have terms ranging from 5 to 20 years, which mostly contain renewal options. The lease agreements include escalation clauses on an annual basis based on prevailing market conditions.

The future minimum lease payments under the lease arrangements as at December 31, 2016 and 2015 are as follows:

	2016	2015
Within one year	₱5,641,782	₱7,789,718
After one year but not more than five years	33,442,327	24,603,872
More than five years	35,118,023	49,598,260
	₱74,202,132	₱81,991,850

Freemont

- a. Freemont operates “Jollibee” stores in certain parts of Luzon, Visayas and Mindanao under a Franchise Agreement with the Company. As a franchisee, the Company’s sales of food supplies, processed inventories and packaging, store and other supplies to Freemont are accounted for as part of the Company’s “Net sales” account in the parent company statement of comprehensive income. Freemont also pays royalties and advertising fees to the Company based on 9% and 3% of Freemont’s net sales, respectively, as provided in the Franchise Agreement. These transactions are made on similar terms with transactions to unrelated franchisees.
- b. Freemont pays service fees to the Company for various services, including repairs and maintenance services, rendered by the Company’s personnel.
- c. Freemont leases office spaces in properties owned by the Company.



- d. The Company has a Management Contract (the Contract) with Freemont for the former to provide managerial services on all aspects of the operations of Freemont's stores. Management fees are based on 0.3% of Freemont's net sales as provided for in the Contract.

JWS

- a. Jollibee Worldwide Services pays service fees to the Company for shuttle services rendered.
- b. Jollibee Worldwide Services leases its office space from the Company on an annual basis.
- c. On March 20, 2012, the Company entered into a sub-lease agreement with Jollibee Worldwide Services for the use of the Company's leased land and building for a period of five years beginning May 1, 2012 until April 30, 2017. The land and building are used by Jollibee Worldwide Services for its logistics services. The Company received security deposit amounting to P29.7 million, which will be refunded at the end of the lease term.

The future minimum lease receivables under the lease arrangement as at December 31, 2016 and 2015 are as follows:

	2016	2015
Within one year	P36,456,000	P107,632,000
After one year but not more than five years	—	36,456,000
	P36,456,000	P144,088,000

- d. Jollibee Worldwide Services pays management fees to the Company for services rendered under an existing Management Services Agreement, which is renewable annually.
- e. The Company has existing one-year contracts with Jollibee Worldwide Services for accounting and human resource services, and logistics services relating to inbound and outbound logistics, warehousing, scrap disposal and other inventory handling services. The contracts are renewable and with service fees determined annually.
- f. On April 16, 2012, the Company received advances from Jollibee Worldwide Services amounting to P150.0 million. The advances are payable in full on April 16, 2017. The interest rate on the advances is based on prevailing money market placement rates plus spread of 1%, payable on a monthly basis.

Mang Inasal

- a. Mang Inasal leases its office space and warehouse from the Company on an annual basis.
- b. Mang Inasal pays management fees to the Company for services rendered under an existing Management Services Agreement, which is renewable annually.
- c. Mang Inasal avails the services of the Company for the plan, design and installation of equipment for Mang Inasal stores.
- d. On August 17, 2016 and December 8, 2016, the Company received cash dividends amounting to P400.0 million and P125.0 million declared on August 8, 2016 and December 2, 2016, respectively.



- e. On May 5, 2016, the Company received short-term cash advances from Mang Inasal amounting to ₱400.0 million, with fixed interest rate of 2%. The advances and interest were settled in full on July 29, 2016.

On November 3, 2016, the Company received short-term cash advances from Mang Inasal amounting to ₱200.0 million, with fixed interest rate of 2%. The advances and interest were settled in full on February 2, 2017.

Burger King

- a. The Company's Service Engineering Division renders services to Burger King for the repairs and maintenance of Burger King's store equipment and facilities.
- b. Burger King pays rental fees to the Company for the use of function rooms and parking spaces.
- c. Burger King pays management fees to the Company for services rendered under an existing Management Services Agreement, which is renewable annually.
- d. In 2016, the Company entered into three (3) loan agreements with Burger King, each with a principal amount of ₱100.0 million and a stated interest rate of 3% per annum. The Company has extended its first two ₱100.0 million loans on December 15, 2016. The third loan agreement was entered into by the Company on December 22, 2016. All loans are payable on March 22, 2017 and were extended until September 22, 2017.

In 2015, the Company extended a five-year loan to Burger King amounting to ₱300.0 million for use in the operations and store expansions of the Burger King business, subject to 5.0% interest rate per annum.

In 2014, the Company entered into four (4) loan agreements with Burger King. The Company has extended the first loan in the principal amount of ₱54.0 million on February 14, 2014, the second loan in the principal amount of ₱54.0 million on May 30, 2014, the third loan in the principal amount of ₱100.0 million on September 2, 2014, and the fourth loan in the principal amount of ₱100.0 million on September 26, 2014. All loans are subject to interest at the rate of 5.0% per annum that is to be paid semi-annually. Principal shall be due and paid in lump sum five (5) years after the drawdown date.

JWPL

In 2012, the Company entered into a Royalty Agreement with JWPL. The terms and conditions are similar in nature with those discussed in Note 20.

Others

Related party transactions and balances for other subsidiaries of the Company are similar in nature with those discussed above.

Guarantees Provided by the Company to JWPL

In 2016, the Company provided a guarantee on JWPL's US\$30.0 million loan with BPI. In 2016 and 2013, the Company provided a guarantee on JWPL's US\$8.0 million loan and US\$40.0 million, respectively, with MBTC.



Terms and Conditions of Transactions with Related Parties

Transactions with related parties are made at market prices and are normally settled in cash. The Company did not make any provision for impairment losses on receivables from related parties in 2016 and 2015. An assessment is undertaken at each financial year by evaluating the financial position of the related party and the market where the related party operates.

Compensation of Key Management Personnel of the Company

The compensation and benefits to key management personnel of the Company for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Short-term employee benefits	₱561,000,341	₱430,180,747
Stock options expense (see Notes 22 and 27)	221,694,219	161,198,902
Employee car plan benefits	23,067,027	20,073,541
Pension expense	34,342,521	16,640,077
	₱840,104,108	₱628,093,267

Transactions with the Retirement Plan

As at December 31, 2016 and 2015, the retirement plan assets of the Company include investments in 175,110 common shares of the Company with aggregate fair values of ₱34.0 million and ₱38.4 million, respectively.

The Company usually advances the pension benefits of its retiring employees which are reimbursable from the retirement fund. The Company's receivable from its retirement fund from these advances amounted to ₱111.3 million and ₱106.3 million as at December 31, 2016 and 2015, respectively (see Note 6).

29. Commitments and Contingencies

Operating Lease Commitments - Company as Lessor

The Company entered into commercial property leases on its investment properties and subleased properties with third party and related party lessees. Noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. All leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

The difference of rent income recognized under the straight-line method and the rent received in accordance with the terms of the lease agreements, amounting to ₱11.1 million and ₱20.9 million as at December 31, 2016 and 2015, respectively, are presented as "Operating lease receivables" in the parent company statement of financial position. Rent income recognized on a straight-line basis amounted to ₱245.7 million and ₱239.2 million in 2016 and 2015, respectively.

The future minimum rent receivables for the noncancellable periods of the operating leases follow:

	2016	2015
Within one year	₱53,820,375	₱124,169,500
After one year but not more than five years	78,584,758	111,298,627
More than five years	45,431,755	66,538,261
	₱177,836,888	₱302,006,388



Operating Lease Commitments - Company as Lessee

The Company has various operating lease commitments for QSR outlets and office spaces with third party and related party lessors. The noncancellable periods of the leases range from 3 to 35 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rental based on a certain percentage of sales of the outlets.

The difference of rent expense recognized under the straight-line method and the rent received due in accordance with the terms of the lease agreements amounting to ₱766.6 million and ₱678.9 million as at December 31, 2016 and 2015, respectively, are presented as "Operating lease payables" in the parent company statement of financial position. Rent expense recognized on a straight-line basis amounted to ₱1,040.6 million and ₱849.6 million in 2016 and 2015, respectively (see Notes 21 and 22). Total variable rent recognized as expense amounted to ₱643.9 million and ₱556.9 million in 2016 and 2015, respectively.

The future minimum rental payables for the noncancellable periods of the operating leases follow:

	2016	2015
Within one year	₱658,033,853	₱501,810,793
After one year but not more than five years	2,637,091,330	1,929,319,098
More than five years	4,876,136,126	3,304,774,074
	₱8,171,261,309	₱5,735,903,965

Contingencies

The Company is involved in litigations, claims and disputes which are normal to its business. Except for those legal claims provided for in Note 16, management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and performance of the Company.

30. Financial Risk Management Objectives and Policies

The Company is exposed to a variety of financial risks which result from both its operating and financing activities. The Company's risk management policies focus on actively securing the Company's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company's principal financial instruments comprise of cash and cash equivalents, receivables, trade payables and other current liabilities (excluding local and other taxes payable, liabilities to government agencies and accrual for gift certificates) and long-term debts. The Company also has other financial assets and liabilities such as advances to related parties, refundable deposits, AFS financial assets and due to related parties.

The Company does not engage in trading financial assets for speculative purposes.

The BOD has overall responsibility for the establishment of the risk management policies to identify and analyze risks faced by the Company. Risk management policies are reviewed regularly to reflect changes in the Company's condition with regard to the risks arising from these financial instruments.

The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company's BOD and management review and approve policies for managing each of these risks and they are summarized below.



Foreign Currency Risk

The Company has transactional foreign currency exposures. Such exposures arise from cash and cash equivalents and trade receivables denominated in foreign currencies.

The following table shows the Company's foreign currency-denominated monetary assets and their peso equivalents as at December 31:

	2016			2015		
	US\$	RMB	PhP	US\$	RMB	PhP
Cash and cash equivalents	\$447,670	RMB8,078	₱22,315,991	\$68,833	RMB8,075	₱3,297,986
Trade receivables	3,706,630	6,755,220	232,661,019	3,092,270	16,414,287	264,854,093
Foreign Currency-Denominated Assets	\$4,154,300	RMB6,763,298	₱254,977,010	\$3,161,103	RMB16,422,362	₱268,152,079

The Company recognized in the parent company statement of comprehensive income included under "Other income" account, net foreign exchange gain amounting to ₱66.0 million and ₱41.1 million for the years ended December 31, 2016 and 2015, respectively (see Note 24). This resulted from the movements of the Philippine peso against the US dollar and RMB as shown in the following table:

	Peso to	
	US Dollar	RMB
December 31, 2016	₱49.72	₱7.16
December 31, 2015	47.06	7.27

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in Philippine peso to US dollar and RMB exchange rates, with all other variables held constant, of the Company's cash and cash equivalents and trade receivables to the income before income tax as at December 31, 2016 and 2015 (due to the changes in the fair value of monetary assets).

	Appreciation (Depreciation) of PhP	Effect on Income Before Income Tax	
		PhP to US\$ Rate	PhP to RMB Rate
		(In millions)	
2016	PhP1.50	(PhP6.2)	(PhP10.1)
	1.00	(4.2)	(6.8)
	(1.50)	6.2	10.1
	(1.00)	4.2	6.8
2015	PhP1.50	(PhP4.7)	(PhP24.6)
	1.00	(3.2)	(16.4)
	(1.50)	4.7	24.6
	(1.00)	3.2	16.4

Interest Rate Risk

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

The Company's exposure to interest rate risk relates primarily to the Company's long-term advances from subsidiaries, Fresh N' Famous and Jollibee Worldwide Services, amounting to ₱1,099.0 million and ₱899.0 million as at December 31, 2016 and 2015, respectively, as discussed in Note 28, with a current portion of ₱1,099.0 million and nil as at December 31, 2016 and 2015, respectively, and long-term debt amounting to ₱3,275.3 million and ₱3,191.6 million as at December 31, 2016 and 2015, with a current portion of ₱139.4 million and ₱15.0 million as at



December 31, 2016 and 2015, respectively, which is discussed in Note 17. Floating rate financial instruments are subject to cash flow interest rate risk.

There is minimal exposure on the other sources of the Company's interest rate risk. These other sources are from the Company's cash in bank, short-term deposits, refundable deposits and employees' car plan receivables.

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax.

	Increase (Decrease) in Basis Points	Effect on Income Before Income Tax
2016	100	(P32,753,076)
	50	(16,376,538)
	(100)	32,753,076
	(50)	16,376,538
2015	100	(P31,915,606)
	50	(15,957,803)
	(100)	31,915,606
	(50)	15,957,803

Fixed rate financial liabilities, although subject to fair value interest rate risk, are not included in the sensitivity analysis since changes in interest rate do not impact interest expense recorded. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Credit Risk

Credit risk is the risk that a customer or a counterparty fails to fulfill its contractual obligations to the Company. This includes risk of non-payment by customers, borrowers and issuers, failed settlement of transactions and default on outstanding contracts.

The Company has a strict credit policy. Its credit transactions are with franchisees that have gone through rigorous screening before granting them the franchise and with related parties. The credit terms are very short, while deposits and advance payments are also required before rendering the services or delivering goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are not tolerated; the exposure is contained the moment a default occurs and transactions that will increase the exposure of the Company are discontinued.

Other than its transactions with related parties, the Company has no significant concentration of credit risk with counterparties since it has short credit terms to franchisees. In addition, the Company's franchisee profile is such that no single unrelated franchisee accounts for more than 5% of the total system wide sales of the Company.

The aging analysis of financial assets as at December 31, 2016 and 2015 are as follows:

	2016						
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
Loans and Receivables							
Cash and cash equivalents*	P3,700,203,431	P3,700,203,431	P-	P-	P-	P-	P-
Receivables:							
Franchisees and customers	1,778,027,120	1,006,519,504	194,301,312	37,552,830	47,522,139	284,258,086	207,873,249
Related parties	2,124,321,144	567,449,944	441,375,470	52,107,431	71,456,146	991,932,153	-
Employee advances	55,989,614	55,989,614	-	-	-	-	-
Employees' car plan receivables	126,566,858	126,566,858	-	-	-	-	-

(Forward)



2016							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
Interest receivable	P7,884,502	P7,884,502	P-	P-	P-	P-	P-
Others**	162,829,301	162,829,301	-	-	-	-	-
Operating lease receivables	11,081,082	11,081,082	-	-	-	-	-
Advances to related parties	1,242,075,460	1,242,075,460	-	-	-	-	-
Refundable deposits	522,965,030	522,965,030	-	-	-	-	-
	9,731,943,542	7,403,564,726	635,676,782	89,660,261	118,978,285	1,276,190,239	207,573,249
AFS Financial Assets	24,418,040	24,418,040	-	-	-	-	-
	P9,756,361,582	P7,427,982,766	P635,676,782	P89,660,261	P118,978,285	P1,276,190,239	P207,573,249

2015							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
Loans and Receivables							
Cash and cash equivalents*	P1,281,777,226	P1,281,777,226	P-	P-	P-	P-	P-
Receivables:							
Franchisees and customers	2,619,536,142	975,590,134	353,500,087	66,924,398	230,761,536	795,103,824	197,656,163
Related parties	1,905,215,386	1,082,451,107	15,978,670	21,149,805	12,850,183	772,785,621	-
Employee advances	72,912,142	72,912,142	-	-	-	-	-
Employees' car plan receivables	120,846,226	120,846,226	-	-	-	-	-
Interest receivable	5,874,226	5,874,226	-	-	-	-	-
Others**	158,826,907	158,826,907	-	-	-	-	-
Operating lease receivables	20,912,916	20,912,916	-	-	-	-	-
Advances to related parties	1,044,215,200	1,044,215,200	-	-	-	-	-
Refundable deposits	438,695,873	438,695,873	-	-	-	-	-
	7,668,812,244	5,202,101,957	369,478,757	88,074,203	243,611,719	1,567,889,445	197,656,163
AFS Financial Assets	19,668,040	19,668,040	-	-	-	-	-
	P7,688,480,284	P5,221,769,997	P369,478,757	P88,074,203	P243,611,719	P1,567,889,445	P197,656,163

*Excluding cash on hand amounting to P109.4 million and P118.7 million in 2016 and 2015, respectively.

**Excluding receivables from SSS amounting to P5.2 million and P3.2 million in 2016 and 2015, respectively.

Credit Quality. The tables below show the credit quality by class of financial assets, based on the Company's credit rating system as at December 31, 2016 and 2015.

2016					
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
Loans and Receivables					
Cash and cash equivalents*	P3,700,203,431	P3,700,203,431	P-	P-	P-
Receivables:					
Franchisees and customers	1,778,027,120	279,767,902	691,967,489	34,784,113	771,507,616
Related parties	2,124,321,144	567,449,944	-	-	1,556,871,200
Employee advances	55,989,614	55,989,614	-	-	-
Employees' car plan receivables	126,566,858	126,566,858	-	-	-
Interest receivable	7,884,502	7,884,502	-	-	-
Others**	162,829,301	162,829,301	-	-	-
Operating lease receivables	11,081,082	11,081,082	-	-	-
Advances to related parties	1,242,075,460	1,242,075,460	-	-	-
Refundable deposits	522,965,030	522,965,030	-	-	-
	9,731,943,542	6,676,813,124	691,967,489	34,784,113	2,328,378,816
AFS Financial Assets	24,418,040	24,418,040	-	-	-
	P9,756,361,582	P6,701,231,164	P691,967,489	P34,784,113	P2,328,378,816

2015					
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
Loans and Receivables					
Cash and cash equivalents*	P1,281,777,226	P1,281,777,226	P-	P-	P-
Receivables:					
Franchisees and customers	2,619,536,142	236,615,000	731,168,684	7,806,450	1,643,946,008
Related parties	1,905,215,386	1,082,451,107	-	-	822,764,279
Employee advances	72,912,142	72,912,142	-	-	-
Employees' car plan receivables	120,846,226	120,846,226	-	-	-
Interest receivable	5,874,226	5,874,226	-	-	-
Others**	158,826,907	158,826,907	-	-	-
Operating lease receivables	20,912,916	20,912,916	-	-	-
Advances to related parties	1,044,215,200	1,044,215,200	-	-	-
Refundable deposits	438,695,873	438,695,873	-	-	-
	7,668,812,244	4,463,126,823	731,168,684	7,806,450	2,466,710,287
AFS Financial Assets	19,668,040	19,668,040	-	-	-
	P7,688,480,284	P4,482,794,863	P731,168,684	P7,806,450	P2,466,710,287

*Excluding cash on hand amounting to P109.4 million and P118.7 million in 2016 and 2015, respectively.

**Excluding receivables from SSS amounting to P5.2 million and P3.2 million in 2016 and 2015, respectively.



The credit quality of financial assets is managed by the Company using internal credit ratings, as shown below:

- A – For counterparty that is not expected by the Company to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes banks, related parties and customers who pay on or before due date.
- B – For counterparty with tolerable delays (normally from 1-30 days) in settling its obligations to the Company. The delays may be due to cut-off differences and/or clarifications on contracts/billings.
- C – For counterparty who consistently defaults in settling its obligation and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval of management. Thereafter, the regular credit term and normal billing and collection processes will resume.

Credit Risk Exposure and Concentration. The tables below show the maximum exposure to credit risk of the Company as at December 31, without considering the effects of collaterals and other credit risk mitigation techniques:

	2016		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure* (a - b)
Financial Assets			
Loans and receivables:			
Cash and cash equivalents**	₱3,700,203,431	₱7,257,921	₱3,692,945,510
Receivables:			
Trade receivables	3,694,475,015	35,717,248	3,658,757,767
Employee advances	55,989,614	—	55,989,614
Employees' car plan receivables	126,566,858	—	126,566,858
Interest receivable	7,884,502	—	7,884,502
Others***	162,829,301	—	162,829,301
Operating lease receivables	11,081,082	—	11,081,082
Advances to related parties	1,242,075,460	—	1,242,075,460
Refundable deposits	522,965,030	—	522,965,030
AFS Financial assets	24,418,040	—	24,418,040
	₱9,548,488,333	₱42,975,169	₱9,505,513,164



	2015		
	Gross Maximum Exposure	Fair Value and Financial Effect of Collateral or Credit Enhancement	Net Exposure*
	(a)	(b)	(a - b)
Financial Assets			
Loans and receivables:			
Cash and cash equivalents**	₱1,281,777,226	₱5,811,598	₱1,275,965,628
Receivables:			
Trade receivables	4,327,095,365	53,107,932	4,273,987,433
Employee advances	72,912,142	—	72,912,142
Employees' car plan receivables	120,846,226	—	120,846,226
Interest receivable	5,874,226	—	5,874,226
Others***	158,826,907	—	158,826,907
Operating lease receivables	20,912,916	—	20,912,916
Advances to related parties	1,044,215,200	—	1,044,215,200
Refundable deposits	438,695,873	—	438,695,873
AFS Financial assets	19,668,040	—	19,668,040
	₱7,490,824,121	₱58,919,530	₱7,431,904,591

* Financial assets after taking into account insurance on bank deposits for cash and cash equivalents and payables to the same counterparty for receivables.

**Excluding cash on hand amounting to ₱109.4 million and ₱118.7 million in 2016 and 2015, respectively.

***Excluding receivables from SSS amounting to ₱5.2 million and ₱3.2 million in 2016 and 2015, respectively.

Liquidity Risk

The Company's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced on a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Company closely monitors its cash flows to be able to finance its capital expenditures and to pay its obligations as and when they fall due.

On a weekly basis, the Jollibee Group's Cash and Banking Team monitors the Company's collections, expenditures and any excess/deficiency in the working capital requirements by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned and properly monitored to ensure availability of funds, i.e., pre-terminate short-term deposits if deemed necessary. In addition, the Company has available credit lines with accredited banking institutions. The Company maintains a sufficient level of cash and cash equivalents to finance the Company's operations.

No changes were made in the objectives, policies or processes of the Company in 2016 and 2015. The tables below summarize the maturity profile of the Company's financial assets and liabilities as at December 31, 2016 and 2015 based on undiscounted contractual payments:

	2016				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	₱1,263,858,445	₱2,545,702,529	₱—	₱—	₱3,809,560,974
Receivables:					
Franchisees and customers	563,634,367	1,006,519,504	—	—	1,570,153,871
Related parties	1,556,871,200	567,449,944	—	—	2,124,321,144
Employee advances	—	55,989,614	—	—	55,989,614
Interest receivable	—	7,884,502	—	—	7,884,502

(Forward)



	2016				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
Employees' car plan receivables*	P-	P36,721,831	P98,958,175	P-	P135,680,006
Other receivables**	-	162,829,301	-	-	162,829,301
Advances to related parties*	-	362,797,260	980,367,241	-	1,343,164,501
Refundable deposits*	-	16,559,199	134,946,644	417,705,202	569,211,045
Operating lease receivables	-	4,775,607	2,614,966	3,690,509	11,081,082
AFS financial assets	-	-	-	24,418,040	24,418,040
	3,384,364,012	4,767,229,291	1,216,887,026	445,813,751	9,814,294,080
Financial Liabilities					
Trade payables and other current liabilities***	425,360,859	8,228,930,765	-	-	8,654,291,624
Due to related parties*	-	1,361,724,078	-	-	1,361,724,078
Long-term debt*	-	317,083,192	3,408,598,055	-	3,725,681,247
Operating lease payables	-	69,032,652	214,375,743	483,182,358	766,590,753
	425,360,859	9,976,770,687	3,622,973,798	483,182,358	14,508,287,702
Net Financial Assets (Liabilities)	P2,959,003,153	(P5,209,541,396)	(P2,406,086,772)	(P37,368,607)	(P4,693,993,622)

	2015				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
Financial Assets					
Cash and cash equivalents	P814,790,717	P585,696,255	P-	P-	P 1,400,486,972
Receivables:					
Franchisees and customers	1,446,289,845	975,590,134	-	-	2,421,879,979
Related parties	822,764,279	1,082,489,665	-	-	1,905,253,944
Employee advances	-	72,912,142	-	-	72,912,142
Interest receivable	-	5,874,226	-	-	5,874,226
Employees' car plan receivables*	-	28,034,673	102,282,402	-	130,317,075
Other receivables**	-	158,826,907	-	-	158,826,907
Advances to related parties*	-	30,400,000	1,107,673,507	-	1,138,073,507
Refundable deposits*	-	11,740,362	107,405,291	357,905,526	477,051,179
Operating lease receivables	-	12,590,821	3,546,488	4,775,607	20,912,916
AFS financial assets	-	-	-	19,668,040	19,668,040
	3,083,844,841	2,964,155,185	1,320,907,688	382,349,173	7,751,256,887
Financial Liabilities					
Trade payables and other current liabilities***	-	7,092,742,223	-	-	7,092,742,223
Due to related parties*	-	80,800,504	908,371,659	-	989,172,163
Long-term debt*	-	124,334,226	2,581,727,341	-	2,706,061,567
Operating lease payables	-	64,616,021	227,104,669	387,203,416	678,924,106
	-	7,362,492,974	3,717,203,669	387,203,416	11,466,900,059
Net Financial Assets (Liabilities)	P3,083,844,841	(P4,398,337,789)	(P2,396,295,981)	(P4,854,243)	(P3,715,643,172)

*Gross of unamortized discount and including future interest payments.

**Excluding receivables from SSS amounting to P5.2 million and P3.2 million in 2016 and 2015, respectively.

***Excluding statutory obligations such as accrued local and other taxes, PHIC, SSS, HDMF and NHMFC payables amounting to P1,139.4 million and P742.4 million as at December 31, 2016 and 2015, respectively.

Capital Management Policy

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

The Company generates cash flows from operations sufficient to finance its organic growth. It declares cash dividends representing about 1/3 of its net income, a ratio that would still leave some additional cash for future acquisitions. If needed, the Company would borrow money for acquisitions of new businesses.

The Company's policy is to limit its liabilities to stockholders' equity ratio at 60:40.



As at December 31, 2016 and 2015, the Company's ratio of liabilities to total equity and ratio of net liabilities to total equity are as follows:

Debt Ratio

	2016	2015
Total debt (a)	₱16,347,642,429	₱12,784,260,595
Total equity	32,374,590,236	28,600,212,248
Total debt and equity (b)	₱48,722,232,665	₱41,384,472,843
Debt ratio (a/b)	33.55%	30.89%

Net Debt Ratio

	2016	2015
Total debt	₱16,347,642,429	₱12,784,260,595
Less cash and cash equivalents	3,809,560,974	1,400,486,972
Net debt (a)	12,538,081,455	11,383,773,623
Total equity	32,374,590,236	28,600,212,248
Net debt and equity (b)	₱44,912,671,691	₱39,983,985,871
Net debt ratio (a/b)	27.92%	28.47%

31. Fair Value of Financial Assets and Liabilities

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 measurement date.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, receivables, current portions of advances to related parties, operating lease receivables, trade payables and other current liabilities, and current portions of due to related parties and operating lease payables based on their notional amounts, reasonably approximate their fair values because of their short-term nature or due to the immaterial effect of discounting when the present value of future cash flows from these instruments are calculated.

AFS Financial Assets. The fair value of investments in quoted shares of stock is based on quoted prices.

Noncurrent portion of Advances to Related Parties, Refundable Deposits, Employees' Car Plan Receivables, Long-term Debt and Noncurrent Portion of Due to Related Parties. Management has determined that the estimated fair value of noncurrent portion of advances to related parties, refundable deposits, employees' car plan receivables, long-term debt and noncurrent portion of due to related parties are based on the discounted value of future cash flows using the following applicable rates:

	2016	2015
Noncurrent portion of advances to related parties	3.60%-3.87%	3.92%-4.76%
Refundable deposits	2.45%-5.38%	2.44%-5.46%
Employees' car plan receivables	1.89%-4.74%	2.37%-3.93%
Long-term debt	2.45%-4.74%	3.69%
Noncurrent portion of due to related parties	—	2.37%-3.98%



Investment Properties. The fair value of the investment properties are determined by independent appraisers using the market data and cost approach, which considers the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties.

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities. Quantitative fair value measurement hierarchy for assets and liabilities as at December 31, 2016 and 2015:

	Date of Valuation	Total	2016 Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
AFS financial assets (see Note 9)	December 31, 2016	P24,418,040	P-	P24,418,040	P-
Assets for which fair values are disclosed					
Refundable deposits	December 31, 2016	486,711,877	-	486,711,877	-
Employees' car plan receivables	December 31, 2016	141,386,176	-	141,386,176	-
Investment properties (see Note 13)	December 31, 2014	2,482,644,600	-	2,482,644,600	-
Noncurrent portion of advances to related parties	December 31, 2016	964,971,501	-	964,971,501	-
Liabilities for which fair values are disclosed					
Long-term debt	December 31, 2016	3,369,164,736	-	3,369,164,736	-
	Date of Valuation	Total	2015 Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value					
AFS financial assets (see Note 9)	December 31, 2015	P19,668,040	P-	P19,668,040	P-
Assets for which fair values are disclosed					
Refundable deposits	December 31, 2015	460,841,385	-	460,841,385	-
Employees' car plan receivables	December 31, 2015	126,576,526	-	126,576,526	-
Investment properties (see Note 13)	December 31, 2014	2,482,644,600	-	2,482,644,600	-
Noncurrent portion of advances to related parties	December 31, 2015	974,994,031	-	974,994,031	-
Liabilities for which fair values are disclosed					
Long-term debt	December 31, 2015	2,299,560,820	-	2,299,560,820	-
Noncurrent portion of due to related parties	December 31, 2015	936,141,164	-	936,141,164	-

There were no transfers from Level 2 fair value measurements in 2016 and 2015.

32. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2016	2015
Net income in parent company financial statements	P5,218,054,078	P4,490,055,055
Effects of consolidation	946,681,295	438,181,173
(a) Consolidated net income attributable to the equity holders of the Company	P6,164,735,373	P4,928,236,228
(b) Weighted average number of shares - basic	1,072,616,009	1,067,293,108
Weighted average number of shares outstanding under the stock options plan	38,387,061	42,717,799
Weighted average number of shares that would have been purchased at fair market value	(18,545,923)	(21,689,263)
(c) Adjusted weighted average shares - diluted	1,092,457,147	1,088,321,644
EPS:		
Basic (a/b)	P5.747	P4.618
Diluted (a/c)	5.643	4.528



Potential common shares for stock options under the 13th MSOP cycle were not included in the calculation of the diluted EPS in 2016 because they are antidilutive. Contingently issuable shares for stock options under the 4th ELTIP cycle were not included in the calculation of the diluted EPS in 2016 and 2015.

33. Events after the Reporting Period

Dividend Declaration

On April 5, 2017, the BOD approved a regular cash dividend of ₱1.00 per share of common stock to all stockholders of record as of April 21, 2017. Consequently, the cash dividend is expected to be paid out by May 5, 2017. The cash dividend is 16.3% higher than the ₱0.86 regular dividend per share declared on April 6, 2016.

Loan to SuperFoods

On April 5, 2017, the BOD approved a US\$1.0 million shareholder loan to SuperFoods Group to finance its capital expenditures.

Joint Venture Agreement with Blackbird Holdings Pte. Ltd.

On March 31, 2017, the Jollibee Group through GPPL, entered into a Joint Venture Agreement with Blackbird Holdings Pte. Ltd. (Blackbird) to own and operate the first Jollibee store in Italy. GPPL and Blackbird shall incorporate a Singapore company (the JV Company) to be owned by GPPL to the extent of 75% and to be owned by Blackbird to the extent of 25%. The JV Company shall incorporate a wholly owned subsidiary in Italy to own and operate the Jollibee store.

Additional Capital Contribution to SJBF LLC

On March 14, 2017, the BOD approved an additional capital contribution of US\$8.0 million to SJBF LLC through the Company's wholly owned subsidiary, Bee Good! Inc.

34. Supplementary Tax Information Required Under Revenue Regulations No. 15-2010

The Bureau of Internal Revenue has issued Revenue Regulations No. 15-2010 which requires certain tax information to be disclosed in the notes to the parent company financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.



JOLLIBEE FOODS CORPORATION

**INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULES**

DECEMBER 31, 2016

Supplementary Schedules

Independent Auditors' Report on Supplementary Schedules	<u>X</u>
Schedule of All the Effective Standards and Interpretations	<u>X</u>
Retained Earnings Available for Dividend Declaration	<u>X</u>



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Jollibee Foods Corporation
10/F Jollibee Plaza Building
10 F. Ortigas Jr. Ave., Ortigas Center
Pasig City

We have audited in accordance with Philippine Standards on Auditing the parent company financial statements of Jollibee Foods Corporation as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated April 5, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all the effective standards and interpretations as well as the reconciliation of retained earnings available for dividend declaration as at December 31, 2016 is the responsibility of the management of Jollibee Foods Corporation. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Marydith C. Miguel
Partner

CPA Certificate No. 65556
SEC Accreditation No. 0087-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-092-270
BIR Accreditation No. 08-001998-55-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908731, January 3, 2017, Makati City

April 5, 2017



JOLLIBEE FOODS CORPORATION
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS
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 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*	Not Early Adopted		
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*	Not Early Adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 5: Changes in Method of Disposal			✓
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 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			✓
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to Condensed Interim Financial Statements			✓
PFRS 9	Financial Instruments*	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Financial Instruments - New hedge accounting requirements*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Fair Value Measurement - Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not Early Adopted		
PFRS 16	Leases*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative*	Not Early Adopted		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12 - Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*	Not Early Adopted		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Amendments to PAS 19: Employee Benefits - Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendments to PAS 34: Disclosure of Information			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
	Elsewhere in the Interim Financial Report			
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of 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: Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner Occupied Property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property*	Not Early Adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2011		Adopted	Not Adopted	Not Applicable
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 8	Scope of PFRS 2			✓
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 11	PFRS 2 - Group and Treasury Share Transactions	✓		
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	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC-12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
With Deferred Effective Date: Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*		Not Early Adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2016.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2016.

JOLLIBEE FOODS CORPORATION**RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION****DECEMBER 31, 2016**

Unappropriated Retained Earnings, beginning	₱12,768,905,487
Adjustments:	
Deferred tax assets - net, beginning	(1,154,216,292)
Accretion of interest on financial assets, beginning	(11,138,406)
Unappropriated Retained Earnings Available for Dividend Declaration, Beginning	11,603,550,789
Add: Net income actually earned/realized during the period	
Net income of the Parent Company closed to Retained Earnings	5,218,054,078
Less: Non-actual/unrealized income	
Benefit from deferred income tax	(590,368,751)
Accretion of interest on financial assets	(12,184,517)
Net income actually earned/realized during the year	4,615,500,810
Less:	
Additional appropriation for future expansion	(8,000,000,000)
Dividend declarations during the year	(1,992,242,685)
Treasury shares	(180,511,491)
Unappropriated Retained Earnings Available for Dividend Declaration, Ending	₱6,046,297,423

Annex “C-3”

Interim
Financial Statements
for the Quarter
ended March 31, 2017

COVER SHEET

7 7 4 8 7

S.E.C. Registration Number

J O L L I B E E F O O D S C O R P O R A T I O N

(Company's Full Name)

10/F J O L L I B E E P L A Z A B U I L D I N G
10 F. O R T I G A S J R . A V E N U E
O R T I G A S C E N T E R , P A S I G C I T Y

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

Atty. Angeline L. Chong

Contact Person

(632) 634-1111 local 7817

Company Telephone Number

31-Dec

Month Day Year

Fiscal Year

Any Day in June

Month Day Year

Annual Meeting

1st Quarter ended March 31, 2017

17Q - Quarterly Report

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total no. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = please use **black ink** for scanning purposes



COVER SHEET

JOLLIBEE FOODS CORPORATION

(Company's Full Name)

10/F Jollibee Plaza Building

10 F. Ortigas Jr. Avenue,

Ortigas Center, Pasig City

(Company's Address)

(632) 634-1111

Telephone Number

December 31

(Fiscal Year Ending)

Any day in the month of June

(Annual Meeting)

SEC Form 17-Q

Quarterly Report

1st Quarter Ended March 31, 2017

(Form Type)

Amendment Designation (If applicable)

(Secondary License Type and File Number)

Cashier

LCU

DTU

77487

S.E.C REG. No.

Central Receiving Unit

File Number

Document I.D.



**SECURITIES AND EXCHANGE COMMISSION SEC FORM 17-D
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATIONS CODE (SRC) AND SRC RULE 17 (2)(b) THEREUNDER**

1. For the quarterly period ended: **March 31, 2017**
2. Commission identification number: **77487**
3. BIR Tax Identification No.: **000-388-771**
4. **JOLLIBEE FOODS CORPORATION**
Exact name of registrant as specified in its charter
5. **PHILIPPINES**
Province, country or other jurisdiction of incorporation or organization
6. Industry classification code: (SEC Use Only)
7. **10/F JOLLIBEE PLAZA BUILDING, 10 F. ORTIGAS JR. AVENUE, ORTIGAS CENTER,
PASIG CITY**
Address of registrant's principal office

1605
Postal Code
8. **(632) 634-1111**
Registrant's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock & warrants outstanding
Common	<u>1,081,242,369</u>
Treasury Shares:	
Common	<u>16,447,340</u>

Note: Total common outstanding shares of 1,081,242,369 is inclusive of 2,436,661 shares entrusted with Deutsche Regis Partners, Inc. with the following details:

MSOP Shares:	
Beginning balance (per SEC Form 17-C dated May 11, 2017)	1,231,761
Shares applied for listing	-
Ending balance, as of May 12, 2017	<u>1,231,761</u>
ELTIP Shares:	
Beginning Balance (per SEC Form 17-C dated May 11, 2017)	1,204,900
Shares applied for listing	-
Ending balance, as of May 12, 2017	<u>1,204,900</u>
TOTAL	<u>2,436,661</u>

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes ☒ No ☐

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period the registrant was required to file such report)

Yes ☒ No ☐

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

Yes ☒ No ☐

No other material information.

SIGNATURE:

JOLLIBEE FOODS CORPORATION

Registrant



YSMAEL V. BAYSA

Chief Financial Officer &
Corporate Information Officer

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements

a.	Consolidated Statements of Financial Position as at March 31, 2017 (Unaudited) and December 31, 2016 (Audited)
b.	Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2017 and 2016
c.	Unaudited Consolidated Statements of Changes in Equity for the Quarters Ended March 31, 2017 and 2016
d.	Unaudited Consolidated Statements of Cash Flows for the Quarters Ended March 31, 2017 and 2016
e.	Store Network and System Wide Sales
f.	Notes to Unaudited Consolidated Financial Statements

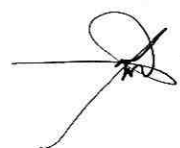
JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	March 2017 (Unaudited)	December 2016 (Audited)	Change	
			Amount	Pct
ASSETS				
Current Assets				
Cash and cash equivalents (Notes 6, 30 and 31)	13,618,866	16,733,346	(3,114,480)	(18.6)
Short-term investments (Notes 6, 30 and 31)	2,508,156	726,002	1,782,154	245.5
Receivables (Notes 7, 30 and 31)	2,635,053	3,376,702	(741,649)	(22.0)
Inventories (Note 8)	5,881,651	5,987,346	(105,695)	(1.8)
Other current assets (Note 9)	3,488,776	3,545,339	(56,563)	(1.6)
Total Current Assets	28,132,502	30,368,735	(2,236,233)	(7.4)
Noncurrent Assets				
Available-for-sale financial assets (Notes 10, 30 and 31)	26,212	26,212	-	-
Interests in and advances to joint ventures, co-venturers and associates (Note 11)	10,230,306	9,873,297	357,009	3.6
Property, plant and equipment (Note 12)	17,394,908	16,655,567	739,341	4.4
Investment properties (Note 13)	983,428	983,428	-	-
Goodwill and other intangible assets (Notes 14)	9,068,100	9,086,742	(18,642)	(0.2)
Operating lease receivables (Notes 29, 30 and 31)	25,979	25,995	(16)	(0.1)
Derivative asset (Note 18)	78,329	78,329	-	-
Deferred tax assets - net (Note 24)	2,727,821	2,585,495	142,326	5.5
Other noncurrent assets (Notes 15, 30 and 31)	3,171,564	3,044,552	127,012	4.2
Total Noncurrent Assets	43,706,647	42,359,617	1,347,030	3.2
	71,839,149	72,728,352	(889,203)	(1.2)
LIABILITIES AND EQUITY				
Current Liabilities				
Trade payables and other current liabilities (Notes 16, 30 and 31)	19,348,632	21,960,567	(2,611,935)	(11.9)
Income tax payable	425,645	309,331	116,314	37.6
Current portion of long-term debt (Notes 18, 30 and 31)	1,560,505	1,561,516	(1,011)	(0.1)
Total Current Liabilities	21,334,782	23,831,414	(2,496,632)	(10.5)
Noncurrent Liabilities				
Noncurrent portion of long-term debt (Notes 18, 30 and 31)	10,325,146	10,593,850	(268,704)	(2.5)
Pension liability (Note 25)	1,723,193	1,658,178	65,015	3.9
Operating lease payables (Note 29, 30 and 31)	1,831,170	1,792,897	38,273	2.1
Provisions (Note 17)	30,501	30,501	-	-
Derivative liability (Notes 18, 30 and 31)	18,879	33,531	(14,652)	(43.7)
Deferred tax liabilities - net (Note 24)	505,338	506,577	(1,239)	(0.2)
Total Noncurrent Liabilities	14,434,227	14,615,534	(181,307)	(1.2)
Total Liabilities	35,769,009	38,446,948	(2,677,939)	(7.0)
Equity Attributable to Equity Holders of the Parent Company (Note 30)				
Capital stock (Note 19)	1,093,046	1,091,301	1,745	0.2
Subscriptions receivable (Note 19)	(17,178)	(17,178)	-	-
Additional paid-in capital (Note 19)	5,861,143	5,660,086	201,057	3.6
Cumulative translation adjustments of foreign subsidiaries and share in cumulative translation adjustments of interests in joint ventures	67,382	(20,812)	88,194	423.8
Remeasurement loss on net defined benefit plan - net of tax (Note 25)	(608,801)	(608,801)	-	-
Unrealized gain on available-for-sale financial assets (Note 10)	4,291	4,291	-	-
Comprehensive loss on derivative liability (Note 18)	(18,879)	(33,531)	14,652	43.7
Excess of cost over the carrying value of non-controlling interests acquired (Notes 11 and 19)	(2,152,161)	(2,152,161)	-	-
Retained earnings (Notes 19 and 30):				
Appropriated for future expansion	18,200,000	18,200,000	-	-
Unappropriated	13,192,777	11,659,532	1,533,245	13.2
	35,621,620	33,782,727	1,838,893	5.4
Less cost of common stock held in treasury (Note 19)	180,511	180,511	-	-
	35,441,109	33,602,216	1,838,893	5.5
Non-controlling Interests (Note 11)	629,031	679,188	(50,157)	(7.4)
Total Equity	36,070,140	34,281,404	1,788,736	5.2
	71,839,149	72,728,352	(889,203)	(1.2)

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Data)

	Quarters Ended March 31				Change	
	2017		2016		Amount	Pct
	Pesos	Pct	Pesos	Pct		
REVENUES						
Gross sales	28,135,427	96.1%	24,954,898	95.6%	3,180,529	12.7%
Sales discounts	(346,631)	-1.2%	(186,455)	-0.7%	(160,176)	-85.9%
Net sales	27,788,796	94.9%	24,768,443	94.9%	3,020,353	12.2%
Royalty, franchise fees and others (Note 20)	1,500,110	5.1%	1,333,830	5.1%	166,280	12.5%
	29,288,906	100.0%	26,102,273	100.0%	3,186,633	12.2%
COST OF SALES (Note 21)						
Cost of inventories	14,048,870	48.0%	12,633,812	48.4%	1,415,058	11.2%
Store and manufacturing costs	10,012,690	34.2%	8,798,042	33.7%	1,214,648	13.8%
	24,061,560	82.2%	21,431,854	82.1%	2,629,706	12.3%
GROSS PROFIT	5,227,346	17.8%	4,670,419	17.9%	556,927	11.9%
EXPENSES						
General and administrative expenses (Note 22)	2,786,137	9.5%	2,511,338	9.6%	274,799	10.9%
Advertising and promotions	612,559	2.1%	420,946	1.6%	191,613	45.5%
	3,398,696	11.6%	2,932,284	11.2%	466,412	15.9%
OPERATING INCOME	1,828,650	6.2%	1,738,135	6.7%	90,515	5.2%
INTEREST INCOME (EXPENSE) (Note 23)						
Interest income	63,567	0.2%	57,857	0.2%	5,710	9.9%
Interest expense	(94,841)	-0.3%	(60,856)	-0.2%	33,985	55.8%
	(31,274)	-0.1%	(2,999)	0.0%	(28,275)	942.8%
EQUITY IN NET LOSSES OF JOINT VENTURES AND ASSOCIATES - Net (Note 11)	(109,623)	-0.4%	(69,063)	-0.3%	(40,560)	-58.7%
OTHER INCOME (Note 23)	174,932	0.6%	145,222	0.6%	29,710	20.5%
INCOME BEFORE INCOME TAX	1,862,685	6.4%	1,811,295	6.9%	51,390	2.8%
PROVISION FOR INCOME TAX (Note 24)						
Current	527,605	1.8%	529,863	2.0%	(2,258)	-0.4%
Deferred	(138,858)	-0.5%	(150,774)	-0.6%	11,916	7.9%
	388,747	1.3%	379,089	1.5%	9,658	2.5%
NET INCOME	1,473,938	5.0%	1,432,206	5.5%	41,732	2.9%
OTHER COMPREHENSIVE INCOME (LOSS)						
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>						
Translation adjustments of foreign subsidiaries	148,238	0.5%	110,133	0.4%	38,105	34.6%
Share in the OCI of joint ventures and an associate under equity method coming from translation adjustments (Note 11)	(50,894)	-0.2%	(170,432)	-0.7%	119,538	70.1%
Comprehensive income (loss) on derivative liability (Note 18)	14,652	0.1%	(139,470)	-0.5%	154,122	110.5%
	111,996	0.0%	(199,769)	-0.8%	311,765	156.1%
TOTAL COMPREHENSIVE INCOME	1,585,934	5.4%	1,232,437	4.7%	353,497	28.7%
Net Income Attributable to:						
Equity holders of the Parent Company (Note 28)	1,533,245	5.2%	1,398,488	5.4%	134,757	9.6%
Non-controlling interests	(59,307)	-0.2%	33,718	0.1%	(93,025)	-275.9%
	1,473,938	5.0%	1,432,206	5.5%	41,732	2.9%
Total Comprehensive Income Attributable to:						
Equity holders of the Parent Company	1,636,091	5.6%	1,209,109	4.6%	426,982	35.3%
Non-controlling interests	(50,157)	-0.2%	23,328	0.1%	(73,485)	-315.0%
	1,585,934	5.4%	1,232,437	4.7%	353,497	28.7%
Earnings Per Share for Net Income Attributable to						
Equity Holders of the Parent Company (Note 28)						
Basic	1.426		1.307		0.119	9.1%
Diluted	1.406		1.278		0.128	10.0%

See accompanying Notes to Unaudited Consolidated Financial Statements.



JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE QUARTERS ENDED MARCH 31, 2017 and 2016

(Amounts in Thousand Pesos)

Equity Attributable to Equity Holders of the Parent Company													
	Capital Stock (Note 19)	Subscriptions Receivable (Note 19)	Additional Paid-in Capital (Note 19)	Cumulative Translation Adjustments of Foreign Subsidiaries and Share in Ventures	Remeasurement Loss on Net Defined Benefit Plan - net of tax (Note 25)	Unrealized Gain on Sale of Financial Assets (Note 10)	Loss on Derivative Liability (Note 18)	Excess of Cost over the Carrying Value of Non- controlling Interests Acquired (Notes 11 and 19)	Retained Earnings Appropriated for Future Expansion (Note 19)	Cost of Common Stock Held in Treasury (Note 19)	Non- controlling Interests (Note 11)	Total	Total Equity
Balances at January 1, 2017	1,091,301	(17,178)	5,660,086	(20,812)	(608,801)	4,291	(33,531)	(2,152,161)	11,659,532	(180,511)	33,602,216	679,188	34,281,404
Net income (loss)	-	-	-	-	-	-	-	-	1,533,245	-	1,533,245	(59,307)	1,473,938
Other comprehensive income	-	-	-	88,194	-	-	14,652	-	-	-	102,846	9,150	111,996
Total comprehensive income (loss)	-	-	-	88,194	-	-	14,652	-	1,533,245	-	1,636,091	(50,157)	1,585,934
Movements in other equity accounts:													
Issuances of and subscriptions to capital stock (Note 19)	1,745	-	144,188	-	-	-	-	-	-	-	145,933	-	145,933
Cost of stock options granted (Note 26)	-	-	56,869	-	-	-	-	-	-	-	56,869	-	56,869
Balances at March 31, 2017	1,093,046	(17,178)	5,861,143	67,382	(608,801)	4,291	(18,879)	(2,152,161)	13,192,777	(180,511)	35,441,109	629,031	36,070,140
Balances at January 1, 2016	1,086,149	(17,178)	5,055,293	107,225	(536,580)	-	(35,449)	(542,764)	10,200,000	(180,511)	30,623,224	1,133,366	31,756,590
Net income	-	-	-	-	-	-	-	-	1,398,488	-	1,398,488	33,718	1,432,206
Other comprehensive loss	-	-	-	(52,971)	-	-	(136,408)	-	-	-	(189,379)	(10,390)	(199,769)
Total comprehensive income (loss)	-	-	-	(52,971)	-	-	(136,408)	-	1,398,488	-	1,209,109	23,328	1,232,437
Movements in other equity accounts:													
Issuances of and subscriptions to capital stock (Note 19)	1,066	-	84,652	-	-	-	-	-	-	-	85,718	-	85,718
Cost of stock options granted (Note 26)	-	-	58,511	-	-	-	-	-	-	-	58,511	-	58,511
Balances at March 31, 2016	1,087,215	(17,178)	5,198,456	54,254	(536,580)	-	(171,857)	(542,764)	10,200,000	(180,511)	31,976,562	1,156,694	33,133,256

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

	Quarters Ended March 31		Change	
	2017	2016	Amount	Pct
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	1,862,685	1,811,295	51,390	2.8
Adjustments for:				
Depreciation and amortization (Notes 12, 14, 15, 21 and 22)	1,074,751	971,745	103,006	10.6
Equity in net losses of joint ventures and associates (Note 11)	109,623	69,063	40,560	58.7
Interest expense (Note 23)	94,841	60,856	33,985	55.8
Loss on disposals and retirements of property and equipment (Notes 12 and 22)	80,671	41,732	38,939	93.3
Movement in pension liability (Notes 21 and 22)	65,402	59,442	5,960	10.0
Interest income (Note 23)	(63,567)	(57,857)	5,710	9.9
Stock options expense (Notes 22 and 26)	56,869	58,511	(1,642)	(2.8)
Reversals of impairment losses on:				
Receivables (Notes 7 and 22)	(12,618)	(1,639)	10,979	669.9
Inventories (Notes 8 and 22)	(48,512)	-	48,512	100.0
Property, plant and equipment (Notes 12 and 22)	(1,425)	-	(1,425)	(100.0)
Deferred rent amortization - net (Note 29)	38,289	(10,725)	49,014	457.0
Net unrealized foreign exchange loss	21,244	22,843	1,599	7.0
Impairment losses on:				
Receivables (Notes 7 and 22)	-	6,536	(6,536)	(100.0)
Inventories (Notes 8 and 22)	18,981	7,596	11,385	149.9
Income before working capital changes	3,297,234	3,039,398	257,837	8.5
Decreases in:				
Receivables	755,122	1,317,888	(562,766)	(42.7)
Inventories	135,226	459,089	(323,863)	(70.5)
Other current assets	56,563	32,908	23,655	71.9
Decreases in trade payables and other current liabilities	(2,521,935)	(1,150,112)	(1,371,823)	(119.3)
Net cash generated from operations	1,722,210	3,699,171	(1,976,960)	(53.4)
Income taxes paid	(411,292)	(365,749)	45,543	12.5
Interest received	58,648	51,873	6,775	13.1
Net cash provided by operating activities	1,369,566	3,385,295	(2,015,728)	(59.5)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment (Note 12)	(1,864,365)	(1,431,457)	432,908	30.2
Interests in joint ventures (Note 11)	(402,600)	(189,180)	213,420	112.8
Intangible assets (Note 14)	(113)	(4,866)	(4,753)	(97.7)
Proceeds from disposal of property, plant and equipment	32,292	5,923	26,369	445.2
Decreases (increases) in:				
Short-term investments	(1,782,153)	67,814	(1,849,967)	(2,728.0)
Other noncurrent assets	(157,355)	(316,428)	(159,073)	(50.3)
Net cash used in investing activities	(4,174,294)	(1,868,194)	2,306,101	123.4
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Long-term debt (Note 18)	(354,147)	(184,280)	169,867	92.2
Cash dividends (Note 19)	(6,296)	(8,627)	(2,331)	(27.0)
Short-term debt (Note 18)	-	(276,420)	(276,420)	(100.0)
Liability for acquisition of businesses (Note 11)	-	(36,884)	(36,884)	(100.0)
Proceeds from issuances of and subscriptions to capital stock	145,933	85,718	60,215	70.2
Interest paid	(95,143)	(57,700)	37,443	64.9
Net cash used in financing activities	(309,653)	(478,193)	(168,540)	(35.2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,114,381)	1,038,907	(4,153,288)	(399.8)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(99)	(5,686)	(5,587)	(98.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	16,733,346	11,497,560	5,235,786	45.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 6)	13,618,866	12,530,781	1,088,085	8.7

See accompanying Notes to Unaudited Consolidated Financial Statements.

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

	Dec-16 Stores	January - March 2017		Net	Ownership Change	Mar-17 Stores
		Open	Close			
Jollibee						
Co-owned	495	17	3	14	(1)	508
Franchised	483	6	1	5	1	489
Total	978	23	4	19	-	997
Chowking						
Co-owned	239	11	-	11	(2)	248
Franchised	240	2	1	1	2	243
Total	479	13	1	12	-	491
Greenwich						
Co-owned	159	5	5	-	-	159
Franchised	91	4	2	2	-	93
Total	250	9	7	2	-	252
Red Ribbon						
Co-owned	202	3	4	(1)	-	201
Franchised	195	4	2	2	-	197
Total	397	7	6	1	-	398
Mang Inasal						
Co-owned	49	5	-	5	-	54
Franchised	416	6	6	-	-	416
Total	465	11	6	5	-	470
Burger King	74	2	-	2	-	76
Total Philippines	2,643	65	24	41	-	2,684
Yonghe King						
Co-owned	267	3	4	(1)	-	266
Franchised	43	3	-	3	-	46
Total	310	6	4	2	-	312
Hongzhuangyuan						
Co-owned	42	1	-	1	-	43
Franchised	1	-	-	-	-	1
Total	43	1	-	1	-	44
Dunkin' Donuts	15	1	-	1	-	16
Total China	368	8	4	4	-	372
US						
Jollibee	35	1	-	1	-	36
Red Ribbon	33	-	-	-	-	33
Chowking	15	-	-	-	-	15
Canada						
Jollibee	1	-	-	-	-	1
Total North America	84	1	-	1	-	85
Jollibee:						
Vietnam	84	2	1	1	-	85
Brunei	14	-	-	-	-	14
Singapore	4	-	-	-	-	4
Hongkong	3	-	-	-	-	3
Total Asia - Others	105	2	1	1	-	106
Jollibee						
Saudi Arabia	11	-	-	-	-	11
Qatar	5	1	-	1	-	6
UAE	5	2	-	2	-	7
Kuwait	4	-	-	-	-	4
Bahrain	1	-	-	-	-	1
Chowking:						
UAE	19	-	-	-	-	19
Qatar	3	-	-	-	-	3
Oman	2	-	-	-	-	2
Kuwait	2	1	-	1	-	3
Saudi Arabia	1	-	-	-	-	1
Total Middle East	53	4	-	4	-	57
Total International Stores	610	15	5	10	-	620
Grand Total	3,253	80	29	51	-	3,304
SuperFoods	212					221
Highlands	170	11	1	10		180
Pho 24	34	1	2	(1)		33
Others	8	-	-	-		8
12 Hotpot	16	-	-	-		16
Smashburger	384	8	18	(10)		374
System Wide Sales (Amounts in Thousand Pesos)				31-Mar-16	31-Mar-17	% Growth
Quarter 1				34,345,493	38,537,345	12.2%

JOLLIBEE FOODS CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousand Pesos, Except When Otherwise Indicated)

1. Corporate Information

Jollibee Foods Corporation (the Parent Company) was incorporated in the Philippines. The Parent Company and its subsidiaries (collectively referred to as “the Jollibee Group”) and affiliates are involved primarily in the development, operation and franchising of quick service restaurants (QSRs) under the trade names “Jollibee”, “Chowking”, “Greenwich”, “Red Ribbon”, “Yong He King”, “Hong Zhuang Yuan”, “Mang Inasal”, “Burger King”, “Highlands Coffee”, “Pho24”, “12 Hotpot”, “Dunkin’ Donuts” and “Smashburger”. The other activities of the Jollibee Group include manufacturing and property leasing in support of the quick service restaurant systems and other business activities (see Notes 2 and 5).

The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE) beginning July 14, 1993.

The registered office address of the Parent Company is 10/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City.

The consolidated financial statements as at March 31, 2017 and December 31, 2016 and for the periods ended March 31, 2017 and 2016, were reviewed and recommended for approval by the Audit Committee as well as approved and authorized for issuance by the Board of Directors (BOD) on May 11, 2017.

2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Jollibee Group have been prepared on a historical cost basis, except for the derivative assets and liabilities, and available-for-sale (AFS) financial assets, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company’s functional and presentation currency. All values are rounded to the nearest thousand pesos, except par values, per share amounts, number of shares and when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new PFRSs and amendments to existing PFRS which became effective on January 1, 2016:

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative*

The amendments in PAS 1 clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify:

- The materiality requirements in PAS 1;

- That specific line items in the statements of comprehensive income and the statements of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and,
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statements of financial position and the statements of comprehensive income. These amendments only affect disclosures and have no significant impact on the Jollibee Group's financial condition and performance.

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarifications of Acceptable Methods of Depreciation and Amortization*

The amendments 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. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are applied prospectively. These are not applicable to the Jollibee Group, given that it has not used a revenue-based method to depreciate its non-current assets.

- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*

The amendments 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. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. These amendments are applied retrospectively and do not presently have any impact on the Jollibee Group as it does not have any bearer plants.

- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments do not have any impact on the Jollibee Group's consolidated financial statements.

- *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*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the consolidated financial statements since the Jollibee Group is not an investment entity nor does it have any interest in an investment entity.

- *PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

The amendments to PFRS 11 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 also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

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 applied prospectively. The Jollibee Group has not acquired an interest in a joint operation.

- *PFRS 14, Regulatory Deferral Accounts*

PFRS 14 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. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Jollibee Group is an existing PFRS preparer, this new standard did not have any impact on the Jollibee Group's financial condition and performance.

- *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. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the

other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. This amendment is applied prospectively and has no significant impact on the Jollibee Group's financial condition and performance.

▪ *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. This amendment is not applicable to the Jollibee Group, having no servicing contracts for its financial assets.

▪ *PFRS 7, Financial Instruments: Disclosure - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively and this does not have significant impact on the Jollibee Group's consolidated financial statements.

▪ *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*

The amendment 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. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. Government bond rates are currently used to determine the present value of the Jollibee Group's defined benefit obligation due to the absence of a deep market for high quality corporate bonds denominated in the same currency as the Jollibee Group's defined benefit obligation. This amendment is applied retrospectively. The Jollibee Group is already compliant with the requirements of this amendment even before it became effective since government bond rates are currently used to calculate the present value of the Jollibee Group's defined benefit obligation due to the absence of a deep local market for high quality corporate bonds.

▪ *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment 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 interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively and has no significant impact on the Jollibee Group's financial condition and performance.

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

The Jollibee Group will adopt the following revised standards, interpretations and amendments when these become effective.

Effective January 1, 2017

▪ *PAS 7, Statement of Cash Flows - Disclosure Initiative*

The amendments to PAS 7 are part of disclosure initiative to help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

These amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The amendments will not have any significant change in the Jollibee Group's financial position and performance other than additional disclosures.

▪ *PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments to PAS 12 clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments are retrospectively effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. Entities are required to apply the amendments retrospectively. The Jollibee Group is currently assessing the impact of the amendments on the consolidated financial statements.

Effective January 1, 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. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Jollibee Group plans to adopt the new standard on the required effective date, which is subject to changes arising from a more detailed ongoing analysis.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets but will have no impact on the classification and

measurement of the Jollibee Group's financial liabilities. The Jollibee Group, however, expects potential changes in its impairment model as an 'expected credit loss' model replaces the 'incurred credit losses' model under PAS 39.

The Jollibee Group is currently assessing the impact of adopting this standard and expects that the adoption of PFRS 9 will have an effect on the classification and measurement of the Jollibee Group's financial assets but will have no impact on the classification and measurement of the Jollibee Group's financial liabilities.

- *PFRS 2, Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

These amendments address three main areas:

- *The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.* The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.
- *The classification of a share-based payment transaction with net settlement features for withholding tax obligations.* This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfill this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.
- *The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.* The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss.
- *IFRIC 22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in

its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Jollibee Group is currently assessing the impact of adopting this standard.

These amendments are effective for annual periods beginning on or after January 1, 2018 and entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. The Jollibee Group is currently assessing the impact of these amendments but is not expecting a significant impact on its financial condition and performance, given that it has no cash-settled share-based payments.

- *PFRS 4, Insurance Contracts - PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, PFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace PFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach.

Temporary exemption from PFRS 9. The optional temporary exemption from PFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply PAS 39, *Financial Instruments: Recognition and Measurement* while they defer the application of PFRS 9 until January 1, 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes April 1, 2016 and before PFRS 9 is implemented. Also, the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach. The overlay approach is an option for entities, which adopt PFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in PAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying PFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. These amendments will be effective for annual periods beginning on or after January 1, 2018. The Jollibee Group is currently assessing the impact of these amendments.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Jollibee Group plans to adopt the new standard on the required effective date. The Jollibee Group is currently assessing the impact of the new standard to the Jollibee Group's consolidated financial statements.

The following new standard issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Financial Reporting Standards Council

- IFRS 16, *Leases*

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Jollibee Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 16. The Jollibee Group does not expect material changes in accounting for leases wherein it is the lessor. For most leases though wherein it is the lessee, the Jollibee Group will be required to recognize both a right to use asset and a lease liability at gross amounts.

With Deferred Effective Date

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

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

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

These amendments are not expected to have a material impact to the Jollibee Group's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2017 and December 31, 2016 and for the periods ended March 31, 2017 and 2016.

Control is achieved when the Jollibee Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

There is a general presumption that a majority of voting rights results in control. To support this presumption when the Jollibee Group has less than a majority of the voting or similar rights of an investee, the Jollibee Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or,
- The Jollibee Group's voting rights and potential voting rights.

The Jollibee Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Jollibee Group obtains control over the subsidiary and ceases when the Jollibee Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Jollibee Group gains control until the date the Jollibee Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Jollibee Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Jollibee Group are eliminated in full on consolidation. The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances.

If the Jollibee Group loses control over a subsidiary, it:

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

Non-controlling interest represent the interests in the subsidiaries not held by the Parent Company, and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from equity attributable to holders of the Parent Company.

An increase or decrease in ownership interest in a subsidiary that does not result in a loss of control is accounted for as an equity transaction. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in the Jollibee Group's relative interests in the subsidiary. The Jollibee Group recognizes directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the equity holders of the Parent Company. These include acquisitions of non-controlling interests of Greenwich, Yong He King, Mang Inasal and HBFPPPL. In particular cases where the Jollibee Group acquires non-controlling interest in a subsidiary at a consideration in excess of its carrying amount, the excess is charged to the "Excess of cost over the carrying value of non-controlling interests acquired" account under equity. These increases or decreases in the ownership interest in a subsidiary do not result in the recognition of a gain or loss.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned and majority-owned subsidiaries as at March 31, 2017 and December 31, 2016:

	Country of Incorporation	Principal Activities	March 2017 (Unaudited)		December 2016 (Audited)	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
Fresh N' Famous Foods, Inc. (Fresh N' Famous):	Philippines	Food service	100	—	100	—
Chowking Food Corporation USA	United States of America (USA)	Holding company	—	100	—	100
Zenith Foods Corporation (Zenith)	Philippines	Food service	100	—	100	—
Freemont Foods Corporation (Freemont)	Philippines	Food service	100	—	100	—
RRB Holdings, Inc. (RRBHI):	Philippines	Holding company	100	—	100	—
Red Ribbon Bakeshop, Inc. (RRBI)	Philippines	Food service	—	100	—	100
Red Ribbon Bakeshop, Inc. USA (RRBI USA)	USA	Food service	—	100	—	100
Mang Inasal Philippines Inc. (Mang Inasal) ^(a)	Philippines	Food service	100	—	100	—
Grandworth Resources Corporation (Grandworth):	Philippines	Leasing	100	—	100	—
Adgraphix, Inc. (Adgraphix)	Philippines	Digital printing	—	100	—	100
IConnect Multi Media Network, Inc. (IConnect)	Philippines	Advertising	—	60	—	60
JC Properties & Ventures Co.	Philippines	Dormant	—	50	—	50
Honeybee Foods Corporation (HFC)	USA	Food service	100	—	100	—
Tokyo Teriyaki Corporation (TTC)	USA	Food service	—	100	—	100
Honeybee Foods (Canada) Corporation (HFCC) ^(b)	Canada	Food service	—	100	—	100
Jollibee Worldwide Pte. Ltd. (JWPL):	Singapore	Holding company	100	—	100	—
Regional Operating Headquarters of JWPL (JWS)	Philippines	Financial accounting, human resources and logistics services	—	100	—	100
Golden Plate Pte., Ltd. (GPPL)	Singapore	Holding company	—	100	—	100
- Golden Beeworks Pte. Ltd.	Singapore	Food service	—	60	—	60
Golden Cup Pte.Ltd.	Singapore	Holding company	—	60	—	60
- Beijing Golden Coffee Cup Food & Beverage Management Co., Ltd.	PRC	Food Service	—	100	—	100
Beijing New Hongzhuangyuan Food and Beverage Management Co., Ltd. (Hong Zhuang Yuan)	PRC	Food service	—	100	—	100
Southsea Binaries Ltd. (Southsea)	British Virgin Island (BVI)	Holding company	—	100	—	100
Beijing Yong He King Food and Beverage Co., Ltd.	PRC	Food service	—	100	—	100
Shenzhen Yong He King Food and Beverage Co., Ltd.	PRC	Food service	—	100	—	100
Hangzhou Yongtong Food and Beverage Co., Ltd.	PRC	Food service	—	100	—	100
Hangzhou Yong He King Food and Beverage Co., Ltd.	PRC	Food service	—	100	—	100
Wuhan Yong He King Food and Beverage Co., Ltd.	PRC	Food service	—	100	—	100
Tianjin Yong He King Food and Beverage Co., Ltd.	PRC	Food service	—	100	—	100
Happy Bee Foods Processing Pte. Ltd. (HBFPPPL) ^(c)	Singapore	Holding company	—	100	—	100
- Happy Bee Foods Processing (Anhui) Co. Ltd. ^(c)	PRC	Food service	—	100	—	100
JSF Investments Pte. Ltd. (JSF)	Singapore	Holding company	—	99	—	99
Jollibee (China) Food & Beverage Management Co. Ltd.	PRC	Management company	—	100	—	100
Jollibee International (BVI) Ltd. (JIBL):	BVI	Holding company	—	100	—	100
- Jollibee Vietnam Corporation Ltd.	Vietnam	Food service	—	100	—	100
• Goldstar Food Trade and Service Company Ltd (GSC) ^(d)	Vietnam	Food service	—	100	—	—
- PT Chowking Indonesia	Indonesia	Food service	—	100	—	100
- PT Jollibee Indonesia	Indonesia	Dormant	—	100	—	100
- Jollibee (Hong Kong) Limited and Subsidiaries	Hong Kong	Dormant	—	85	—	85

(Forward)

	Country of Incorporation	Principal Activities	March 2017 (Unaudited)		December 2016 (Audited)	
			Direct Ownership	Indirect Ownership	Direct Ownership	Indirect Ownership
- Belmont Enterprises Ventures Limited (Belmont):	BVI	Holding company	–	100	–	100
• Shanghai Belmont Enterprises Management and Adviser Co., Ltd. (SBEMAC)	PRC	Business management service	–	100	–	100
• Yong He Holdings Co., Ltd.	BVI	Holding company	–	100	–	100
• Centenary Ventures Ltd.	BVI	Holding company	–	100	–	100
Bee Good! Inc. (BGI)	USA	Holding company	–	100	–	100
Chanceux, Inc.	Philippines	Holding company	100	–	100	–
BKTitans Inc. (BKTitans)	Philippines	Holding company	–	54	–	54
- PFN Holdings Corporation	Philippines	Holding company	–	53	–	53
• PERF Restaurants, Inc. ^(e)	Philippines	Food service	–	53	–	53
Donut Magic Phils., Inc. (Donut Magic) ^(d)	Philippines	Dormant	100	–	100	–
Ice Cream Copenhagen Phils., Inc. (ICCP) ^(d)	Philippines	Dormant	100	–	100	–
Mary's Foods Corporation (Mary's) ^(d)	Philippines	Dormant	100	–	100	–
QSR Builders, Inc.	Philippines	Dormant	100	–	100	–
Jollibee USA	USA	Dormant	100	–	100	–

(a) On April 22, 2016, the Parent Company acquired the remaining 30% stake in Mang Inasal.

(b) On May 7, 2015, the Jollibee Group, through HFC, incorporated HFCC to own and operate Jollibee restaurants in Canada.

(c) On November 23, 2016, the Jollibee Group, through JWPL obtained government and regulatory approval for the transfer of assets in Anhui and completed the acquisition of shares in HBFPPPL to make its ownership 100%.

(d) On September 1, 2016, the Jollibee Group, through its wholly owned subsidiary, Jollibee Vietnam Company Ltd., acquired 100% equity of GSC.

(e) PERF Restaurants, Inc. also holds shares in PERF Trinoma and PERF MOA.

(f) On June 18, 2004, the stockholders of the Jollibee Group approved the Plan of Merger of the three dormant companies. The application is pending approval from the SEC as at March 31, 2017.

3. Significant Accounting Policies

Current versus Noncurrent Classification

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

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

The Jollibee Group classifies all other assets as noncurrent.

A liability is classified as current when:

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

The Jollibee Group classifies all other liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

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

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

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs. Where the Jollibee Group has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible) and the cost approach (i.e., based on the amount required to replace the service capacity of an asset). The Jollibee Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Jollibee Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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 Jollibee Group's management determines the policies and procedures for both recurring fair value measurement and non-recurring measurement. At each reporting date, the management analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Jollibee Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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

Cash and Cash Equivalents

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

Short-term Investments

Short-term investments are deposits with original maturities of more than three months to one year from acquisition date.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, except for financial assets at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

The Jollibee Group has no financial assets classified under the held-to-maturity investments category.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Jollibee Group commits to purchase or sell the asset.

Financial Assets at 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 or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Jollibee Group has not designated any financial assets at FVPL. Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVPL. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL.

This category generally applies to the Jollibee Group's derivative assets.

Loans and Receivables. This category is the most relevant to the Jollibee Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, except for short-term loans and receivables with no stated interest which are measured at undiscounted amounts less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in profit or loss. The losses arising from impairment are recognized also in profit or loss.

This category generally applies to cash and cash equivalents, short-term investments, receivables, refundable deposits, operating lease receivables and employee car plan receivables.

AFS Financial Assets. AFS financial assets include equity investments. Equity investments classified as AFS financial assets are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited directly in equity until the investment is derecognized, at which time, the cumulative gain or loss is recognized in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from equity to profit or loss. Dividends earned while holding AFS financial assets is recognized in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

When the Jollibee Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Jollibee Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Jollibee Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Jollibee Group has retained.

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 Jollibee Group could be required to repay.

Impairment of Financial Assets

The Jollibee Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost. For financial assets carried at amortized cost, the Jollibee Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If

the Jollibee Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Jollibee Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognized in profit and loss.

AFS Financial Assets. For AFS financial assets, the Jollibee Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from OCI and recognized in profit or loss. For unquoted equity investments that are not carried at fair value because such cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instruments, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Jollibee Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Jollibee Group's financial liabilities include loans and borrowings and derivative financial instruments.

Subsequent measurement

Financial liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Jollibee Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied. The Jollibee Group has not designated any financial liability as at FVPL.

Loans and borrowings. This is the category most relevant to the Jollibee Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs, including debt issue costs for the Jollibee Group's debts that are an integral part of the EIR. The EIR amortization is included as interest expense in the consolidated statement of comprehensive income.

This category generally applies to trade payables and other current liabilities, short-term and long-term debts and liability for acquisition of businesses.

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

Offsetting of Financial Instruments

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

Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement. The Group uses derivative financial instruments, such as cross currency swaps and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- Hedges of a net investment in a foreign operation.

The Jollibee Group's cross currency swap and interest rate swap are cash flow hedges. The Jollibee Group has no fair value hedge and hedge of a net investment in a foreign operation as at March 31, 2017 and December 31, 2016.

At the inception of a hedge relationship, the Jollibee Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while any ineffective portion is recognized immediately in the statement of profit or loss.

The Jollibee Group has a cross currency swap to hedge its exposure to foreign currency risk in forecast transactions, as well as an interest rate swap for its exposure to volatility in interest rates. The ineffective portion relating to these swaps are recognized in profit or loss.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged income or expense is recognized or when a forecast sale occurs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognized in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs are accounted for as follows:

Processed inventories	- Standard costing, which is reviewed on a quarterly basis and revised as necessary to approximate current costs determined using first in, first out (FIFO). Cost includes direct materials, labor and a proportion of manufacturing overhead costs based on normal operating capacity.
Food supplies, packaging, store and other supplies, and novelty items	- Standard costing which is reviewed on a quarterly basis and revised as necessary to approximate current costs determined using FIFO.

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

Net realizable value of food supplies, packaging, store and other supplies is the current replacement cost. Food and other supplies are held for use in the production of processed inventories.

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

Other Current Assets

Other current assets include deposits which pertain to advance payments to suppliers to be applied for future purchases, prepaid expenses which are paid in advance and recorded as asset before these are utilized; and creditable withholding taxes, which will be applied in the following year against corporate income tax or be claimed for refund with the Bureau of Internal Revenue. Prepaid expenses are amortized over time and recognized as expense as the benefit is derived from the asset.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment consists of its purchase price, including import duties and nonrefundable taxes and any other costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property,

plant and equipment have been put into operation, such as repairs and maintenance, are normally charged to profit or loss in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	5 years
Plant, buildings, commercial condominium units and improvements	5–40 years
Leasehold rights and improvements	2–10 years or term of the lease, whichever is shorter
Office, store and food processing equipment	1–15 years
Furniture and fixtures	3–5 years
Transportation equipment	3–5 years

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

The residual values, if any, useful lives and depreciation and amortization method of the assets are reviewed and adjusted, if appropriate, at the end of each financial period.

Fully depreciated assets are retained in the accounts until they are disposed or retired.

Construction in progress represents assets under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for use.

Investment Properties

Investment properties consist of land and buildings and building improvements held by the Jollibee Group for capital appreciation and rental purposes. Investment properties, except land, are carried at cost, including transaction costs, less accumulated depreciation and amortization and any impairment in value. Cost also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Land is carried at cost less any impairment in value.

The depreciation of buildings and building improvements are calculated on a straight-line basis over the estimated useful lives of the assets which are five (5) to twenty (20) years.

The residual values, if any, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at each financial year-end.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

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

Business Combinations

Business combinations are accounted for using the acquisition method. Applying the acquisition method requires the (a) determination whether the Jollibee Group will be identified as the acquirer; (b) determination of the acquisition date; (c) recognition and measurement of the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree; and (d) recognition and measurement of goodwill or a gain from a bargain purchase.

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

The cost of an acquisition is measured as the aggregate of the (a) consideration transferred by the Jollibee Group, measured at acquisition-date fair value, (b) amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of the Jollibee Group's previously held equity interest in the acquiree in a business combination achieved in stages. Acquisition costs incurred are expensed and included in "General and administrative expenses" account in the consolidated statement of comprehensive income.

Initial Measurement of Non-controlling Interest. For each business combination, the Jollibee Group measures the non-controlling interest in the acquiree using the proportionate share of the acquiree's identifiable net assets.

Business Combination Achieved in Stages. In a business combination achieved in stages, the Jollibee Group remeasures its previously held equity interests in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Jollibee Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Jollibee Group receives the information it was seeking about facts and circumstances that existed as at the acquisition date or learns that more information is not obtainable. The measurement period does not exceed one year from the acquisition date.

Contingent Consideration or Earn-out. Any contingent consideration or earn-out in relation to a business combination is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognized in profit or loss.

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Jollibee Group at cost being the excess of the total consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair

value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase. Before recognizing a gain on a bargain purchase, the Jollibee Group determines whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognize any additional assets or liabilities that are identified in that review.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Jollibee Group's CGU, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Jollibee Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Jollibee Group tests goodwill acquired in a business combination for impairment annually as at December 31 and more frequently when circumstances indicate that the carrying amount is impaired.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units. In allocating the impairment loss, the Jollibee Group cannot reduce the carrying amount of an asset below the highest of its fair value less costs of disposal if measurable, its value in use if determinable and zero.

Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment loss. The useful lives of intangible assets are assessed at the individual asset level as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the CGU level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Amortization of computer software, trademarks and other intangible assets are calculated on a straight-line basis over the following estimated useful lives of the assets:

Computer software	10 years
Trademark	5 years
Other intangible assets	5 years

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

Interests in and Advances to Joint Ventures, Co-venturers and Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not in control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Jollibee Group's investments in its associates and joint ventures are accounted for using the equity method based on the percentage share of ownership and capitalization. Interests in joint ventures are accounted for under the equity method from the date the joint control is obtained.

Under the equity method, the Jollibee Group's investments in joint ventures and associates are carried in the consolidated statement of financial position at cost plus the Jollibee Group's share in post-acquisition changes in the net assets of associates or joint ventures, less any impairment in value. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is not amortized. The consolidated statement of comprehensive income includes the Jollibee Group's share in the financial performance of the associates or joint ventures. The Jollibee Group's share in profit or loss of the associates is shown on the face of the consolidated statement of comprehensive income as "Equity in net earnings of joint ventures and associates-net", which is the profit or loss attributable to equity holders of the joint ventures and associates.

When the Jollibee Group's share of losses in the associates or joint ventures equals or exceeds its interest, including any other unsecured receivables, the Jollibee Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associates or joint ventures. Where there has been a change recognized directly in the equity of the associate or joint venture, the Jollibee Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the Parent Company and the associate or joint ventures are identical and the latter's accounting policies conform to those used by the Parent Company for like transactions and events in similar circumstances. Unrealized gains arising from transactions with the associates or joint ventures are eliminated to the extent of the Jollibee Group's interests in the associates or joint ventures against the related investments. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment in the asset transferred.

The Jollibee Group ceases to use the equity method of accounting on the date from which it no longer has joint control in the joint ventures, no longer has significant influence over the associates, or when the interest becomes held for sale.

Upon loss of significant influence over the associate or joint control over the joint ventures, the Jollibee Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former associate or former jointly controlled entities upon loss of significant influence or joint control, and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining interest in the former jointly controlled entity constitutes significant influence, it is accounted for as interest in an associate.

Impairment of Nonfinancial Assets

The carrying values of interests in and advances to joint ventures, co-venturers and associates, property, plant and equipment, investment properties, goodwill and other intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGU are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or 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 between knowledgeable, willing parties, less costs of disposal. 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 recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value on a systematic basis over its remaining useful life.

Equity

Capital Stock and Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Additional paid-in capital is also credited for the cost of the Jollibee Group's equity settled share-based payments to its employees.

Subscriptions Receivable. Subscriptions receivable represents the unpaid balance of the subscription price for subscribed common stock of the Parent Company.

Retained Earnings. Retained earnings represent the Jollibee Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries and associates, which are not available for dividend declaration.

Dividends. The Jollibee Group recognizes a liability to make cash distribution to its equity holders when the distribution is authorized and the distribution is no longer at the discretion of the Jollibee Group. A corresponding amount is recognized directly in the equity. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the reporting period.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in profit or loss. These include cumulative translation adjustments, gains or losses on derivatives designated as hedging instruments in an effective hedge, unrealized gains or losses on AFS financial assets, remeasurement gains or losses on pension and their income tax effects.

Treasury Shares. Acquisitions of treasury shares are recorded at cost. The total cost of treasury shares is shown in the consolidated statement of financial position as a deduction from the total equity. Upon re-issuance or resale of the treasury shares, cost of common stock held in treasury account is credited for the cost of the treasury shares determined using the simple average method. Gain on sale is credited to additional paid-in capital. Losses are charged against additional paid-in capital but only to the extent of previous gain from original issuance, sale or retirement for the same class of stock. Otherwise, losses are charged to retained earnings.

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Jollibee Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, sales taxes and duties. The Jollibee Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Jollibee Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to credit risks.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at net sales shown in the consolidated statement of comprehensive income.

Royalty Fees. Revenue from royalty fees is recognized as the royalty accrues based on a certain percentage of the franchisees' net sales in accordance with the franchise agreements.

Franchise Fees. Revenue from franchise fees is recognized when all services or conditions relating to the payment of franchise fees have been substantially performed.

Service Fees. Revenue is recognized in the period in which the service has been rendered.

Rent Income. Rent income from operating leases is recognized on a straight-line basis over the lease terms.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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

Cost and Expenses

Cost and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized as incurred.

Advertising and promotions expenses include costs incurred for advertising schemes and promotional activities for new products. The amount of expenses incurred by the Jollibee Group is reduced by the network advertising and promotional costs reimbursed by the Jollibee Group's franchisees and subsidiaries.

Pension Benefits

The pension 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 assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Pension Expense comprises the following:

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

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

Net interest on the pension liability or asset is the change during the period in the liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the pension liability or asset. Net interest on the pension liability or asset is recognized under "Cost of Sales" and "General and Administrative expenses" in the consolidated statement of comprehensive income.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Jollibee Group, nor can they be paid directly to the Jollibee Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting

expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Jollibee Group also participates in various government-defined contribution schemes for the People's Republic of China (PRC)-based and USA-based subsidiaries. Under these schemes, pension benefits of existing and retired employees are guaranteed by the local pension benefit plan, and each subsidiary has no further obligations beyond the annual contribution.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. Jollibee Group recognizes undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period.

Share-based Payments

The Jollibee Group has stock option plans granting its management and employees an option to purchase a fixed number of shares of stock at a stated price during a specified period ("equity-settled transactions").

The cost of the options granted to the Jollibee Group's management and employees that becomes vested is recognized in profit or loss over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant management and employees become fully entitled to the award ("vesting date").

The fair value is determined using the Black-Scholes Option Pricing Model. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Jollibee Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in profit or loss or the investment account for a period represents the movement in cumulative expense recognized as of the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest.

Where the terms of a share-based award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the management and employees as measured at the date of modification.

Where a share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award.

Research Costs

Research costs are expensed as incurred.

Leases

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

Jollibee Group as Lessee. Leases which do not transfer to the Jollibee Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred. Contingent rent is recognized as expense in the period which they are incurred.

Jollibee Group as Lessor. Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the operating lease receivable and recognized over the lease term on the same basis as rent income. Rent income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

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

Foreign Currency Transactions and Translations

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. Each entity in the Jollibee Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of subsidiaries domiciled and operating in the Philippines are also determined to be the Philippine Peso. Where the functional currency is the Philippine Peso, transactions in foreign currencies are recorded in Philippine Peso using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currencies of the Jollibee Group's foreign operations are US dollar (USD), PRC Renminbi (RMB), Indonesia rupiah, Vietnam dong, Singapore dollar and Hong Kong dollar. As of the reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company at the rate of exchange ruling at the reporting date while the income and expense accounts are translated at the weighted average exchange rates for the year. The resulting translation differences are included in equity under the account "Cumulative translation adjustments of foreign subsidiaries and share in cumulative translation adjustment of an interest in a joint ventures". On disposal of a foreign subsidiary, the accumulated exchange differences are recognized in profit or loss.

Taxes

Current Tax. Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity (not in the profit or loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interest in joint ventures and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transactions, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in another equity account.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as reduction in goodwill, as long as it does not exceed goodwill, if it was incurred during the measurement period or recognize in profit or loss.

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

Value Added Tax (VAT). Revenue, expenses and assets are recognized net of the amount of tax, except:

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

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

Earnings per Share (EPS) Attributable to Equity Holders of the Parent Company

Basic EPS is calculated by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted EPS is computed by dividing the net income for the year attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the period, adjusted for any potential common shares resulting from the assumed exercise of outstanding stock options. Outstanding stock options will have dilutive effect under the treasury stock method only when the average market price of the underlying common share during the period exceeds the exercise price of the option.

Where the EPS effect of the shares to be issued to management and employees under the stock option plan would be anti-dilutive, the basic and diluted EPS would be stated at the same amount.

Contingencies

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

Business Segments

The Jollibee Group is organized and managed separately according to the nature of operations and geographical locations of businesses. The three major operating businesses of the Jollibee Group are food service, franchising and leasing while geographical segments are segregated to Philippine businesses and international businesses. These operating and geographical businesses are the basis upon which the Jollibee Group reports its primary segment information presented in Note 5.

Events after the Reporting Period

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the affected asset or liability in the future. The Jollibee Group believes the following represents a summary of these significant judgments, estimates and assumptions and the related impact and associated risks on the Jollibee Group's consolidated financial statements.

Judgments

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

Functional Currency. Management has determined that the functional and presentation currency of the Parent Company and its Philippine-based subsidiaries is the Philippine peso, being the currency of the primary environment in which the Parent Company and its major subsidiaries operate. The functional currencies of its foreign operations are determined as the currency in the country where the subsidiary operates. For consolidation purposes, the foreign subsidiaries' balances are translated to Philippine peso which is the Parent Company's functional and presentation currency.

Operating Lease Commitments - Jollibee Group as Lessee. The Jollibee Group has entered into commercial property leases for its QSRs and offices as a lessee. Management has determined, based on an evaluation of the terms and condition of the arrangements that all the significant risks and benefits of ownership of these properties, which the Jollibee Group leases under various lease arrangements, remain with the lessors. Accordingly, the leases are accounted for as operating leases.

Rent expense amounted to ₱2,270.4 million and ₱2,001.2 million for the periods ended March 31, 2017 and 2016, respectively (see Notes 21, 22 and 29).

Operating Lease Commitments - Jollibee Group as Lessor. The Jollibee Group has entered into commercial property leases on its investment property portfolio and various sublease agreements. Management has determined, based on an evaluation of the terms and conditions of the arrangements, that the Jollibee Group retains all the significant risks and benefits of ownership of the properties which are leased out. Accordingly, the leases are accounted for as operating leases.

Rent income amounted to ₱13.0 million and ₱21.9 million for the periods ended March 31, 2017 and 2016, respectively (see Notes 13, 20 and 29).

Assessing Joint Control of an Arrangement and the Type of Arrangement. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Jollibee Group assessed that it has joint control in all joint arrangements by virtue of a contractual

agreement with other stockholders. The Jollibee Group's joint ventures have separate legal entities and the shareholders have right to their net assets (see Note 11).

Material Partly-Owned Subsidiaries

The consolidated financial statements include additional information about subsidiaries that have non-controlling interests that are material to the Jollibee Group (see Note 11). Management determined material partly-owned subsidiaries as those with balance of non-controlling interest greater than 5% of total non-controlling interests and those subsidiaries which type of activities they engage in is important to the Jollibee Group as at end of the period.

Material Associates and Joint Ventures

The consolidated financial statements include additional information about associates and joint ventures that are material to the Jollibee Group (see Note 11). Management determined material associates as those associates where the Jollibee Group's carrying amount of investment is greater than 5% of the total investments in an associate and interest in joint ventures as at end of the period.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Jollibee Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to changes on market circumstances arising beyond the control of the Jollibee Group. Such changes are reflected in the assumptions when they occur.

Recoverability of Goodwill and Other Intangible Assets. The Jollibee Group determines whether goodwill and other intangible assets with indefinite useful life is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the CGU to which the goodwill is allocated. Estimating the value in use requires the Jollibee Group to make an estimate of the expected long-term growth rates and earnings before interest, taxes, depreciation and amortization (EBITDA) from the CGU and also consider market data in determining discount rate in order to calculate the present value of those cash flows.

Management has determined that goodwill and other intangible assets are not impaired. The carrying amount of goodwill and other intangible assets amounted to ₱9,068.1 million and ₱9,086.7 million as at March 31, 2017 and December 31, 2016, respectively (see Note 14).

Recoverability of Interests in and Advances to Joint Ventures, Co-venturers and Associates. The Jollibee Group performs impairment test of its interests in and advances to joint ventures, co-venturers and associates when there are facts and circumstances indicating that their carrying amounts exceed their recoverable amounts. Determining the recoverable amount of assets, which requires the determination of future cash flows expected to be generated from the continued operations of joint ventures and associates, requires the Jollibee Group to make significant assumptions that can materially affect the consolidated financial statements. These assumptions include long-term growth rates, EBITDA and discount rate. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial position and performance.

No impairment loss for interests in and advances to joint ventures, co-venturers and associates was recognized for the periods ended March 31, 2017 and 2016. The carrying amount of interests in and

advances to joint ventures, co-venturers and associates amounted to ₱10,230.3 million and ₱9,873.3 million as at March 31, 2017 and December 31, 2016, respectively (see Note 11).

Realizability of Deferred Tax Assets. The carrying amounts of deferred tax assets at each reporting date is reviewed and reduced to the extent that sufficient taxable profits are available to allow all or part of the deferred tax assets to be utilized. The Jollibee Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income. This forecast is based on future expectations on revenue and expenses as well as management's plans and strategies for the relevant entities.

The carrying amount of deferred tax assets amounted to ₱2,996.1 million and ₱2,894.1 million as at March 31, 2017 and December 31, 2016, respectively (see Note 24).

Provisions and Contingencies. The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with the Jollibee Group's legal counsels and based upon an analysis of potential results (see Note 17). The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and application of laws and rulings. Management believes that the ultimate liability, if any, with respect to the litigations, claims and disputes will not materially affect the financial position and performance of the Jollibee Group.

Total outstanding provisions amounted to ₱30.5 million as at March 31, 2017 and December 31, 2016 (see Notes 17 and 29).

Recoverability of Property, Plant and Equipment and Investment Properties. The Jollibee Group performs impairment review of property, plant and equipment and investment properties when certain impairment indicators are present. Determining the fair value of assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Jollibee Group to make estimates and assumptions that can materially affect the consolidated financial statements. Future events could cause the Jollibee Group to conclude that the assets are impaired. Any resulting impairment loss could have a material adverse impact on the Jollibee Group's financial position and performance.

The aggregate carrying values of property, plant and equipment and investment properties amounted to ₱18,378.3 million and ₱17,639.0 million as at March 31, 2017 and December 31, 2016, respectively (see Notes 12 and 13).

Impairment of Receivables. The Jollibee Group maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of allowance is evaluated on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Jollibee Group's relationship with the customers and counterparties, average age of accounts and collection experience. The Jollibee Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment losses. The review is done quarterly and annually using a combination of specific and collective assessments. The amount and timing of recorded expenses for any period would differ if the Jollibee Group made different judgments or utilized different methodologies. An increase in allowance account would increase general and administrative expenses and decrease current assets.

Provision for impairment loss on receivables for the periods ended March 31, 2017 and 2016 amounted to nil and ₱6.5 million, respectively, resulting from specific and collective assessments (see Note 22). In addition, reversal of previously recognized provisions amounting to ₱12.6 million and ₱1.6 million were recognized for the periods ended March 31, 2017 and 2016, respectively (see Note 22). The carrying amount of receivables amounted to ₱2,635.1 million and ₱3,376.7 million as at March 31, 2017 and December 31, 2016, respectively (see Note 7).

Net Realizable Value of Inventories. The Jollibee Group writes down inventories to net realizable value, through the use of an allowance account, whenever the net realizable value of inventories becomes lower than the cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

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

The Jollibee Group assessed that the net realizable value for some inventories is lower than cost, hence, it recognized provision for inventory obsolescence amounting to ₱19.0 million and ₱7.6 million for the periods ended March 31, 2017 and 2016, respectively (see Note 22).

In addition, reversal of previously recognized provisions amounting to ₱48.5 million and nil were recognized for the periods ended March 31, 2017 and 2016, respectively (see Note 22). The carrying amount of inventories amounted to ₱5,881.7 million and ₱5,987.3 million as at March 31, 2017 and December 31, 2016, respectively (see Note 8).

Present Value of Defined Benefit Obligation. The pension expense as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates and the future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

Future salary increases are based on budgetary salary increases.

The carrying amount of pension liability amounted to ₱1,723.2 million and ₱1,658.2 million as at March 31, 2017 and December 31, 2016, respectively (see Note 25).

Share-based Payments. The Parent Company measures the cost of its equity-settled transactions with management and employees by reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about these inputs. The fair value of the share option is being determined using the Black-Scholes Option Pricing Model. The expected life of the stock options is based on the expected exercise behavior of the stock option

holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of the Parent Company.

Total expense arising from share-based payment recognized by the Jollibee Group amounted to ₱56.9 million and ₱58.5 million for the periods ended March 31, 2017 and 2016, respectively (see Notes 22 and 26).

Estimation of Useful Lives of Property, Plant and Equipment, Investment Properties and Intangible Assets with Definite Useful Lives. The Jollibee Group estimates the useful lives of property, plant and equipment, investment properties and intangible assets with definite useful lives based on the period over which the property, plant and equipment, investment properties and intangible assets are expected to be available for use and on the collective assessment of the industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property, plant and equipment, investment properties and intangible assets are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of the said assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amount and timing of recording the depreciation and amortization for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, investment properties and intangible assets would increase the recorded depreciation and amortization and decrease noncurrent assets.

There was no change in the estimated useful lives of property, plant and equipment, investment properties and intangible assets in 2017 and 2016.

Derivative on Put / Call Rights on SJBF LLC. The Jollibee Group has a derivative arising from put/call rights on the controlling interest in SJBF LLC.

The derivative from put / call rights derive value from the fair value of SJBF LLC's equity, which considers forecasted cash flows from its operations and its cost of capital, and the price to exercise such put / call rights, which consider SJBF LLC's EBITDA near transaction date and exit multiples based on SJBF LLC's achievement of sales targets. Such derivative is valued using discounted cash flows model, which also takes into account assumptions on the volatility of the fair value of SJBF LLC's equity and discount rate to arrive at present value, among others. Changes in the assumptions mentioned above can result to change in the amount recognized as derivative and may result to either a derivative asset or liability as recognized in the consolidated statements of financial position.

As at March 31, 2017 and December 31, 2016, the Jollibee Group recognized a derivative asset amounting to ₱78.3 million from put / call rights (see Note 11).

Fair Value of Financial Assets and Liabilities. When the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of financial assets and liabilities are discussed in Note 31.

5. Segment Information

For management purposes, the Jollibee Group is organized into segments based on the nature of the products and services offered and geographical locations. The Executive Management Committee monitors the operating results of its segments separately for resource allocation and performance assessment. Segment results are evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Business Segments

The Jollibee Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

- The food service segment is involved in the operations of QSRs and the manufacture of food products to be sold to Jollibee Group-owned and franchised QSR outlets.
- The franchising segment is involved in the franchising of the Jollibee Group's QSR store concepts.
- The leasing segment leases store sites mainly to the Jollibee Group's independent franchisees.

The following tables present certain information on revenues, expenses, assets and liabilities and other segment information of the different business segments as at and for the periods ended March 31, 2017 and 2016:

	March 2017 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱27,861,059	₱1,337,682	₱90,165	₱-	₱29,288,906
Inter-segment revenues	8,580,899	473,456	1,430,932	(10,485,287)	-
Segment revenues	36,441,958	1,811,138	1,521,097	(10,485,287)	29,288,906
Segment expenses	(36,050,367)	(473,456)	(1,465,294)	10,485,287	(27,503,830)
Impairment losses on receivables, inventories and property, plant and equipment, net of reversals	43,574	-	-	-	43,574
Equity in net losses of joint ventures and associates	(109,623)	-	-	-	(109,623)
Other segment income	174,753	-	179	-	174,932
Segment result	₱500,295	₱1,337,682	₱55,982	₱-	1,893,959
Interest income					63,567
Interest expense					(94,841)
Income before income tax					1,862,685
Provision for income tax					(388,747)
Net income					₱1,473,938
Assets and Liabilities					
Segment assets	₱68,714,067	₱-	₱397,261	₱-	₱69,111,328
Deferred tax assets – net	2,725,374	-	2,447	-	₱2,727,821
Consolidated assets	₱71,439,441	₱-	₱399,708	₱-	₱71,839,149
Segment liabilities	₱22,869,694	₱-	₱82,681	₱-	₱22,952,375
Deferred tax liabilities – net	505,338	-	-	-	505,338
Long-term debt - including current portion	11,885,651	-	-	-	11,885,651
Income tax payable	422,379	-	3,266	-	425,645
Consolidated liabilities	₱35,683,062	₱-	₱85,947	₱-	₱35,769,009
Other Segment Information					
Capital expenditures	₱1,864,478	₱-	₱-	₱-	₱1,864,478
Depreciation and amortization	1,073,589	-	1,162	-	1,074,751

	March 2016 (Unaudited)				
	Food Service	Franchising	Leasing	Eliminations	Consolidated
Revenues from external customers	₱24,847,471	₱1,195,523	₱59,279	₱–	₱26,102,273
Inter-segment revenues	7,793,687	398,304	1,011,732	(9,203,723)	–
Segment revenues	32,641,158	1,593,827	1,071,011	(9,203,723)	26,102,273
Segment expenses	(32,107,664)	(398,303)	(1,049,401)	9,203,723	(24,351,645)
Impairment losses on receivables and inventories, net of reversals	(12,493)	–	–	–	(12,493)
Equity in net losses of joint ventures and an associate	(69,063)	–	–	–	(69,063)
Other segment income	144,836	–	386	–	145,222
Segment result	₱596,774	₱1,195,524	₱21,996	₱–	1,814,294
Interest income					57,857
Interest expense					(60,856)
Income before income tax					1,811,295
Provision for income tax					(379,089)
Net income					₱1,432,206
Assets and Liabilities					
Segment assets	₱62,663,916	₱–	₱379,006	₱–	₱63,042,922
Deferred tax assets – net	1,548,832	–	4,584	–	1,553,416
Consolidated assets	₱64,212,748	₱–	₱383,590	₱–	₱64,596,338
Segment liabilities	₱21,617,039	₱–	₱67,280	₱–	₱21,684,319
Long-term debt - including current portion	9,378,668	–	–	–	9,378,668
Income tax payable	395,242	–	4,852	–	400,094
Consolidated liabilities	₱31,390,949	₱–	₱72,132	₱–	₱31,463,081
Other Segment Information					
Capital expenditures	₱1,436,323	₱–	₱–	₱–	₱1,436,323
Depreciation and amortization	970,547	–	1,198	–	971,745

Geographical Segments

The Jollibee Group's geographical segments are based on the location of the assets producing revenues in the Philippines and in other locations (which includes PRC, USA, UAE, Hongkong, Brunei, Saudi Arabia, Singapore, Kuwait, Qatar and Vietnam). Sales to external customers disclosed in the geographical segments are based on the geographical location of the customers.

Majority of the Jollibee Group's revenues were generated from the Philippines, which is the Parent Company's country of domicile.

The Jollibee Group does not have a single external customer which revenue amounts to 10% or more of the Jollibee Group's revenues.

The following tables present segment revenues, segment assets and capital expenditures of the Jollibee Group's geographical segments:

	March 2017 (Unaudited)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱23,348,788	₱6,055,266	(₱115,148)	₱29,288,906
Segment assets	40,779,804	28,331,524	–	69,111,328
Capital expenditures	1,590,888	273,590	–	1,864,478

	March 2016 (Unaudited)			
	Philippines	International	Eliminations	Consolidated
Segment revenues	₱20,652,639	₱5,536,393	(₱86,759)	₱26,102,273
Segment assets	39,405,850	23,637,072	–	63,042,922
Capital expenditures	1,114,181	322,142	–	1,436,323

6. Cash and Cash Equivalents and Short-term Investments

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash on hand	₱328,460	₱295,716
Cash in banks	7,252,460	9,672,006
Short-term deposits	6,037,946	6,765,624
	₱13,618,866	₱16,733,346

Cash in banks earn interest at the respective savings or special demand deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Jollibee Group, and earn interest at the respective short-term deposit rates.

The Jollibee Group also has short-term investments amounting to ₱2,508.2 million and ₱726.0 million as at March 31, 2017 and December 31, 2016, respectively. These pertain to deposits with maturities of more than three months but less than a year.

Interest income earned from cash in bank and short-term investments amounted to ₱21.6 million and ₱23.0 million for the periods ended March 31, 2017 and 2016, respectively (see Note 23).

7. Receivables

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
Trade	₱2,880,508	₱3,608,583
Less allowance for impairment loss	562,700	579,792
	2,317,808	3,028,791
Current portion of employee car plan receivables	86,486	83,383
Advances to employees	75,823	112,652
Others	154,936	151,876
	₱2,635,053	₱3,376,702

Trade receivables are noninterest-bearing and are generally settled on 30-60 day terms.

Advances to employees, current portion of employee car plan receivables and other receivables are normally collectible within the next financial year. Other receivables consist of receivables from the retirement plan and the Social Security System (SSS) and insurance claims.

The movements in the allowance for impairment loss on trade receivables as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of period	₱579,792	₱520,055
Provisions	–	91,415
Write-offs	(4,598)	(29,327)
Reversals (see Note 22)	(12,618)	(3,188)
Translation adjustments	124	837
Balance at end of period	₱562,700	₱579,792

The provisions in 2017 and 2016 resulted from specific impairment assessments performed by the Jollibee Group.

8. Inventories

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
At cost:		
Food supplies and processed inventories	₱5,464,580	₱5,458,186
Packaging, store and other supplies	406,592	461,630
	5,871,172	5,919,816
At net realizable value -		
Novelty items	10,479	67,530
Total inventories at lower of cost and net realizable value	₱5,881,651	₱5,987,346

The cost of novelty items carried at net realizable value amounted to ₱59.7 million and ₱146.2 million as at March 31, 2017 and December 31, 2016, respectively.

The movements in the allowance for inventory obsolescence as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of period	₱78,647	₱18,180
Provisions (see Note 22)	18,981	78,621
Reversals (see Note 22)	(48,512)	(18,129)
Translation adjustments	94	(25)
Balance at end of period	₱49,210	₱78,647

9. Other Current Assets

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
Deposits to suppliers and other third parties	₱1,359,454	₱1,278,972
Prepaid expenses:		
Taxes	1,095,537	1,019,538
Rent	627,023	625,560
Insurance and others	248,997	288,887
Receivable from sale of business (see Note 11)	72,865	214,836
Supplies	84,900	117,546
	₱3,488,776	₱3,545,339

Deposits to suppliers and other third parties are generally applied to purchase of inventories and availment of services within the next financial year.

Receivable from sale of business pertains to the current portion of receivables from Guangxi Zong Kai Food Beverage Investment Company Limited (GZK) as a result of the Jollibee Group's divestment in SPW (see Note 11).

Prepaid taxes mainly represent creditable withholding taxes that can be applied in the following year against the corporate income tax due or can be claimed as tax refund from the BIR. This also includes prepaid real property taxes which are expected to be utilized within the next twelve months. Supplies consist of various office and administrative supplies.

10. Available-for-Sale Financial Assets

This account consists mainly of shares in golf and leisure clubs amounting to ₱26.2 million as at March 31, 2017 and December 31, 2016, respectively.

11. Business Combinations, Incorporation of New Subsidiaries, Interests in and Advances to Joint Ventures, Co-venturers and Associates and Divestments

A. Business Combinations

Business Combination through Acquisition of Equity Shares

Acquisition in 2016

Goldstar Food Trade and Service Company Ltd (GSC). The Jollibee Group, through its wholly-owned subsidiary, Jollibee Vietnam Corporation Ltd., entered into a Capital Transfer Agreement to acquire 100% equity of GSC, a local Vietnamese company operating as miscellaneous food stores in Pho Tu, Vietnam. The capital transfer was for a cash consideration of USD0.2 million (₱8.6 million). The transfer was duly approved by the government of Vietnam in September 2016.

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

Cash and cash equivalents	₱121,959
Receivables	1,480
Inventories	15,886
Other current assets	80,447
Property, plant and equipment (see Note 12)	174,088
Other noncurrent assets	19,400
Total identifiable assets acquired	413,260
Less:	
Trade payables and other current liabilities	213,463
Short-term loans	358,127
Total identifiable liabilities acquired	571,590
Net identifiable liabilities acquired	₱158,330

The amount of provisional goodwill recorded at acquisition date amounted to ₱166.9 million determined as follows:

Fair value of the consideration transferred:	
Cash consideration	₱8,601
Less acquisition – net of the fair value of liabilities acquired	158,330
Goodwill (see Note 14)	₱166,931
The net cash inflow from the acquisition is as follows:	
Cash acquired from subsidiary	₱121,959
Less cash paid on acquisition	8,601
Total	₱113,358

The goodwill of ₱166.9 million recognized arising from the acquisition of GSC consists largely of the synergies and economies of scale expected from combining the operations of GSC and the Jollibee Group.

From the acquisition date, GSC contributed ₱15.9 million net income to the Jollibee Group. If the acquisition had taken place at the beginning of the year, revenues would have been ₱169.5 million and net income for the Jollibee Group would have been ₱49.2 million.

Business Combination through Purchase of Assets

Chowking US Operations. On May 27, 2011, the Jollibee Group, through its wholly-owned subsidiary, TTC, entered into an Asset Purchase Agreement with Fortune Capital Corporation (FCC), owner and operator of all Chowking stores in the USA as the master licensee therein, to purchase the property and equipment, inventories and security deposits of the twenty (20) existing stores of FCC. The purchase consideration amounted to USD16.0 million (₱693.3 million). The Jollibee Group paid USD12.0 million (₱520.0 million) of the total consideration as at December 31, 2011, balance is payable over the next five (5) years.

The balance of the liability for acquisition of Chowking US operations amounting to USD0.7 million (₱34.6 million) in 2015 was fully settled on May 27, 2016.

With this acquisition, the Jollibee Group took a more active role to further the growth of the Chowking business in the USA.

B. Incorporation of New Subsidiaries

Golden Plate Pte. Ltd. (GPPL). On March 31, 2017, the Jollibee Group, through its wholly owned subsidiary, GPPL entered into a Joint Venture Agreement with Blackbird Holdings Pte. Ltd. (Blackbird), to own and operate the first Jollibee store in Italy. GPPL and Blackbird shall incorporate a Singapore company (the JV Company) to be owned by GPPL to the extent of 75% and Blackbird to the extent of 25%. The JV Company shall incorporate a wholly owned subsidiary in Italy to own and operate the store.

GPPL and Blackbird have committed to invest up to EUR1million (₱53.6 million) to the JV Company, of which EUR0.8 million (₱42.9 million) will be contributed by GPPL in proportion to its ownership in the business.

Honeybee Foods (Canada) Corporation (HFCC). On May 7, 2015, the Jollibee Group, through HFC, incorporated HFCC to own and operate Jollibee restaurants in Canada. As at March 31, 2017, no capital investment has been made other than the investment to incorporate.

HFCC's first Jollibee store located in Winnipeg, Canada started its commercial operations on December 15, 2016.

Golden Cup Pte. Ltd. (Golden Cup). On December 19, 2014, the Jollibee Group, through JWPL, entered into a joint agreement to form Golden Cup together with Jasmine Asset Holding Ltd. (Jasmine), to own and operate Dunkin' Donuts restaurants in the PRC.

JWPL owns 60% of the business and Jasmine owns the other 40%. JWPL and Jasmine have committed to invest up to USD300.0 million to the Joint Venture, of which up to USD180.0 million will be contributed by JWPL in proportion to its ownership in the business. Golden Cup was incorporated on December 22, 2014. The first store started its commercial operations in February 2016.

As at March 31, 2017 and December 31, 2016, capital contributions of the Jollibee Group to Golden Cup amounted to USD27.6 million (₱1,340.0 million).

Pursuant to the Master Franchise Agreement signed on January 5, 2015 between Dunkin' Donuts Franchising LLC and Golden Cup, a market entry fee amounting to USD2.1 million (₱93.9 million) was paid by Golden Cup to Dunkin' Donuts on the signing date (see Note 15).

C. Material Non-Controlling Interests

As at December 31, 2015, the Jollibee Group has subsidiaries with material non-controlling interests. Proportion of equity held by non-controlling interests in 2015 are as follows:

	Country of incorporation and operation	
Mang Inasal	Philippines	30%
HBFPPL	Singapore	30%
San Pin Wang	People's Republic of China	45%

During 2016, non-controlling interest were derecognized either by acquisition of the minority interest or by divestment of interests as set out below:

Mang Inasal

On April 22, 2016, the Parent Company acquired the remaining 30% minority stake in Mang Inasal for the purchase price of ₱2,000.0 million in a cash transaction. The acquisition resulted to Mang Inasal becoming a wholly owned subsidiary of the Parent Company.

The difference between the acquisition cost and the carrying value of the minority interest at the date of the acquisition, amounting to ₱1,217.6 million, was recognized under the “Excess of cost over the carrying value of non-controlling interests acquired”, a separate component of “Equity Attributable to Equity Holders of the Parent Company” in the consolidated statements of financial position (see Note 19).

HBFPPL

On February 23, 2016, JWPL entered into an agreement with Hua Xia Harvest Holdings Pte. Ltd. (Hua Xia) to acquire Hua Xia’s 30% equity shareholding in its subsidiary, HBFPPL. Under the terms of the agreement, Hua Xia shall sell and convey to JWPL its 30% equity interests in HBFPPL while HBF-Anhui shall sell and convey to Hua Xia’s nominee entity the assets and contracts related to the third party supply business.

The acquisition by JWPL was completed on November 21, 2016 with the approval of the China government on the transfer of assets related to the third party supply business. This resulted to a loss on transfer of assets amounting to ₱8.2 million which is recognized in the statements of comprehensive income. The transfer of the 30% equity was approved and registered in Singapore on November 22, 2016. With the transfer, JWPL now owns 100% of HBFPPL.

The purchase price was USD10.3 million (₱514.9 million). The difference between the acquisition cost and the carrying value of the minority interest at the date of the acquisition amounting to ₱391.8 million was recognized under the “Excess of cost over the carrying value of non-controlling interests acquired” (see Note 19).

San Pin Wang

See part E of this note for the discussion on the disposal of San Pin Wang.

D. Interests in and Advances to Joint Ventures, Co-venturers and Associates

	March 2017 (Unaudited)	December 2016 (Audited)
Interests in and advances to SuperFoods joint ventures and co-venturers	₱4,085,768	₱4,010,890
Interests in joint ventures:		
SJBF LLC	5,522,745	5,258,923
Cargill Joy Poultry	215,470	229,481
WJ	148,122	151,629
Golden Bee	134,768	100,163
	6,021,105	5,740,196
Interests in associates:		
Entrek	114,220	112,227
Cargill Joy Realty	9,213	9,984
	123,433	122,211
	₱10,230,306	₱9,873,297

Interests in Joint Ventures

SuperFoods Group. On January 20, 2012, upon fulfillment of certain legal and regulatory requirements in Vietnam, the Jollibee Group, through JWPL, acquired effective ownership of 50% share in the business of the SuperFoods Group (includes SF Vung Tau Joint Stock Company, Highlands Coffee Service JSC, Quantum Corp., Pho24 Corp., Blue Sky Holding Limited Hongkong, Sino Ocean Asia Limited Hongkong, Blue Sky Holdings Limited Macau, and China Co.) through formation of joint ventures. This consists of a 49% share in SF Vung Tau Joint Stock Company (SFVT) in Vietnam and a 60% share in Blue Sky Holding Limited in Hongkong (the SuperFoods Holding Companies). The formation of joint ventures is an implementation of the Framework Agreement made on May 20, 2011 between the Jollibee Group, through JSF, a 99% subsidiary of JWPL, and its co-venturers, Viet Thai International Joint Stock Company (VTIJS) and Viet Thai International Company Limited (VTI). The SuperFoods Group operates the chain of Highlands Coffee shops, Pho 24 restaurants and Hard Rock Cafe stores, whose market is mostly in Vietnam, Hong Kong and Macau. The Framework Agreement provided for the Jollibee Group to contribute a total of USD25.0 million to gain 50% effective ownership in the joint ventures. Loans and deposits were made to the SuperFoods Group and the co-venturers prior to the formation of the joint ventures in 2012.

Pursuant to the Framework Agreement, the preliminary consideration for the 50% share in SuperFoods Group amounted to a cash payment of USD25.0 million in 2011.

On October 22, 2015, JSF contributed additional investment in SuperFoods amounting to USD0.7 million (₱34.1 million).

The Supplemental Agreement further provides that JWPL shall be required to pay the co-venturers an additional amount in 2016 based upon achieving a positive amount determined in accordance with a formula contained in the agreement (earn-out formula). Based on management's assessment using the earn-out formula, no additional consideration needs to be recognized as at January 20, 2012, date of acquisition, and as at December 31, 2012 to 2016.

In accordance with the Framework Agreement, the Jollibee Group, through JSF, extended loans to SurperFoods Group. First and Second Supplements to the Loan Agreement were executed that basically extended the loan due dates.

On November 18, 2016, the Jollibee Group, through JSF, entered into an agreement with its co-venturers, VTIJS, to make SuperFoods Group a public company by listing in the Vietnam Stock Exchange with an Initial Public Offering (IPO) on or before July 2019. As part of the agreement, the ownership of the SuperFoods Group will be adjusted with the Jollibee Group, owning 60% of the joint venture and VTI owning 40%. With this agreement, the following loan structures were amended, as documented in the Third Supplement to the Loan Agreement signed on December 29, 2016.

Loans to Co-venturers

Loan to the co-venturers in the SuperFoods Group joint venture amounting to USD35.0 million (₱1,523.9 million), extended on June 30, 2011, is payable in September 2017.

The loan bears interest of 5% per annum payable in lump sum also in December 2016. The loan was agreed to be used for general corporate purposes. Total interest from this loan, recognized as interest income, amounted to USD0.4 million (₱22.0 million), USD1.8 million (₱89.3 million) and USD1.8 million (₱89.0 million) for the period ended March 31, 2017 and years ended December 31, 2016 and 2015, respectively. The USD35.0 million loan is secured by a mortgage by the co-venturers of all their shares in SuperFoods Holding Companies.

The Third Supplement to the Loan Agreement signed on December 29, 2016 provides the assignment of the USD35.0 million loan receivable including accrued interests as at December 31, 2016 from JSF to JWPL. Subject to the completion of the Settlement Transaction Documents on or before September 30, 2017, this loan shall be contributed as additional capital to the SuperFoods Group.

On April 30, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (₱41.2 million) payable in February 2014 but was extended to September 30, 2017. The loan bears interest of 5% per annum. With the extension to September 30, 2017, the sum of principal and the accumulated interest as at April 2015, were subjected to 4.99% interest per annum. The loan was agreed to be used for general corporate purposes. Total interest from this loan recognized as interest income amounted to USD0.01 million (₱0.7 million), USD0.06 million (₱2.8 million) and USD0.05 million (₱2.7 million) for the period ended March 31, 2017 and years ended December 31, 2016 and 2015, respectively.

On August 22, 2013, an additional loan was extended to the co-venturers in the SuperFoods Group amounting to USD1.0 million (₱44.1 million) payable in August 2014 but was extended to September 30, 2017. As at August 21, 2014, the principal was subject to 5% interest per annum. However, with the extension to September 30, 2017, the sum of principal and the accumulated interest starting August 22, 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.01 million (₱0.7 million), USD0.06 million (₱2.8 million) and USD0.05 million (₱2.7 million) for the period ended March 31, 2017 and years ended December 31, 2016 and 2015, respectively.

The loans granted on April 30, 2013 and August 22, 2013 including accrued interests as at December 2016 will be converted to additional equity on SFVT subject to the completion of the Settlement Transaction Documents as provided in the Third Supplement to the Loan Agreement signed on December 29, 2016.

Loans to Blue Sky

On June 10, 2011, a loan was extended to Blue Sky Holdings Limited (Blue Sky), the Hong Kong-based holding company, amounting to USD5.0 million (P216.0 million) payable in June 2014. As at June 2014, the principal was subject to 5% interest per annum. However, with the extension of the due date to September 30, 2017, the sum of principal and the accumulated interest as at June 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.08 million (P3.8 million), USD0.3 million (P15.6 million) and USD0.3 million (P14.8 million) for the period ended March 31, 2017 and years ended December 31, 2016 and 2015, respectively.

On May 7, 2012, an additional loan was extended to Blue Sky amounting to USD2.5 million (P105.9 million) payable in May 2014. As at May 9, 2014, the principal was subjected to 5% interest per annum. However, with the extension of the due date to September 30, 2017, the sum of principal and the accumulated interest starting May 10, 2014 were subjected to 4.99% interest per annum. Total interest from this loan recognized as interest income amounted to USD0.04 million (P1.8 million), USD0.1 million (P7.5 million) and USD0.1 million (P7.1 million) for the period ended March 31, 2017 and years ended December 31, 2016 and 2015, respectively.

With the Third Supplement to the Loan Agreement signed on December 29, 2016, the loans to Blue Sky including accrued interests as at December 2016 shall be converted into additional equity subject to the completion of the Settlement Transaction Documents in the said Agreement.

The conversion of the loans and related accrued interests into equity is part of the Agreement entered into by the Jollibee Group with VTI in adjusting the ownership of SuperFoods Group.

On December 14, 2016, an additional loan of USD9.0 million (P447.5 million) was granted by JSF to VTIS. The amount is part of the total agreed loan of USD30 million payable in eight (8) years with an interest rate of 3.5% per annum. The loan is secured by pledged shares in SFVT and Blue Sky which will be released in proportion to the amount of the principal paid. Total interest from this loan recognized as interest income amounted to USD0.08 million (P4.0 million) and USD0.01 million (P0.8 million) for the period ended March 31, 2017 and year ended December 31, 2016, respectively.

The carrying value of the loans to co-venturers and Blue Sky, including the accrued interest, amounted to P3,321.4 million and P3,257.4 million as at March 31, 2017 and December 31, 2016, respectively.

The details of the Jollibee Group's interests in the SuperFoods joint venture and advances to co-venturers as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in a joint venture – cost	P1,120,659	P1,120,659
Cumulative equity in net losses:		
Balance at beginning of period	(367,155)	(323,331)
Equity in net earnings (loss) for the period	10,846	(43,824)
Balance at end of period	(356,309)	(367,155)
	764,350	753,504

(Forward)

	March 2017 (Unaudited)	December 2016 (Audited)
Advances to the joint ventures and co-venturers:		
Balance at beginning of period	3,257,386	2,548,225
Additions during the period	—	447,480
Accrual of interest	32,983	117,641
Translation adjustments	31,049	144,040
Balance at end of period	3,321,418	3,257,386
	P4,085,768	P4,010,890

Summarized financial information of the SuperFoods Group based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	P581,749	P564,801
Noncurrent assets	1,268,768	1,244,239
Total assets	P1,850,517	P1,809,040
Current liabilities	P816,520	P772,840
Noncurrent liabilities	1,007,004	1,032,085
Total liabilities	P1,823,524	P1,804,925

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	P84,219	P69,880
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	—
Noncurrent financial liabilities (excluding provisions)	1,007,004	1,032,085

The amounts of the income and expense accounts include the following:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Revenues	P1,015,664	P699,196
Depreciation and amortization	45,467	36,296
Interest income	374	14
Interest expense	19,429	16,885
Provision for income tax	20,294	647
Net income (loss)	21,693	(8,603)
Total comprehensive income (loss)	21,693	(8,603)

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱26,993	₱4,115
Proportion of the Jollibee Group's ownership	50%	50%
	13,497	2,057
Goodwill	708,891	708,891
Cumulative translation adjustments	41,962	42,556
	₱764,350	₱753,504

SJBF LLC (SJBF). On October 8, 2015, the Jollibee Group, through JWPL, incorporated Bee Good! Inc. (BGI) in the state of Delaware, USA.

On October 13, 2015, BGI entered into an agreement with Smashburger Master LLC (Master) to acquire 40% of the outstanding equity interest of SJBF, the parent company of the entities comprising the Smashburger business, a fast casual better burger restaurant business based in the United States.

The consideration for BGI's 40% stake in SJBF amounted to USD99.5 million (₱4,629.5 million). Thereafter, a post-closing adjustment of USD0.8 million (₱36.6 million) to the purchase price at the closing date was recognized based on a pre-agreed mechanism with Master. The Jollibee Group settled with Master USD99.5 million (₱4,629.5 million) of the transaction price in December 2015. The remaining USD0.8 million (₱36.6 million) was carried as part of the "Current portion of liability for acquisition of business" account in the 2015 consolidated statement of financial position and was settled in January 2016. In addition, acquisition-related costs consisting of professional fees for the Jollibee Group's financial, tax, accounting and legal advisors for the transaction amounted to ₱221.8 million.

As at March 31, 2017, total investments of the Jollibee Group to SJBF amounted to USD129.6 million (₱6,098.5 million). The additional investments did not change BGI's equity interest in SJBF.

The agreement between BGI and Master provides for a mechanism wherein Master can sell or BGI can purchase up to an additional 35% equity interest in SJBF (First Put/ Call Right) between January 1, 2018 and January 1, 2021, and up to an additional 25% equity interest from the closing date or after expiration of the First Put/ Call Right and five years thereafter (Second Put/Call Right). The purchase price of the remaining 60% will be based on the achievement of certain financial performance targets agreed between BGI and Master.

However, on March 14, 2017, BGI and Master have amended their original agreement to enable BGI to purchase more shares in SJBF. With the amendment, BGI shall be entitled to purchase from Master an additional 45% of SJBF shares between the years 2018 and 2021, and to acquire the balance of 15% between 2019 at the earliest and 2026 at the latest.

As a result of the first and second Put / Call Rights in the agreement, the Jollibee Group allocated ₱75.0 million of the purchase price to a derivative asset in 2015, representing the fair value of the First and Second Put / Call Rights on transaction date. As at March 31, 2017 and December 31, 2016, the derivative asset related to Put / Call Rights amounted to ₱78.3 million. The marked-to-market gain of ₱3.3 million was recognized in the 2016 statement of comprehensive income.

The details of Jollibee Group's interest in SJBF as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in a joint venture - cost:		
Balance at beginning of period	₱5,620,834	₱4,812,854
Additions during the period	402,600	807,980
Balance at end of period	6,023,434	5,620,834
Cumulative equity in net losses:		
Balance at beginning of period	(361,911)	(70,122)
Equity in net loss during the period	(138,778)	(291,789)
Balance at end of period	(500,689)	(361,911)
	5,522,745	₱5,258,923

Summarized financial information of SJBF based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	₱2,680,095	₱1,910,435
Noncurrent assets	5,775,203	5,886,847
Total assets	₱8,455,298	₱7,797,282
Current liabilities	₱1,291,248	₱1,287,258
Noncurrent liabilities	5,607,133	5,439,780
Total liabilities	₱6,898,381	₱6,727,038

The amounts of assets and liabilities above include the following:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	₱2,198,910	₱1,338,834
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	—
Noncurrent financial liabilities (excluding provisions)	4,229,628	4,217,929

The amounts of the income and expense accounts include the following:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Revenues	₱2,509,220	₱2,650,218
Depreciation and amortization	133,467	128,372
Interest expense	86,871	83,649
Net loss attributable to SJBF LLC	(346,946)	(129,471)
Total comprehensive loss attributable to SJBF LLC	(346,946)	(129,471)

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱1,556,917	₱1,070,244
Proportion of the Jollibee Group's ownership	40%	40%
	622,767	428,098
Goodwill	4,837,672	4,837,671
Cumulative translation adjustments	62,306	(6,846)
	₱5,522,745	₱5,258,923

Cargill Joy Poultry Meats Productions, Inc. (Cargill Joy Poultry). On May 24, 2016, the Parent Company entered into an agreement with Cargill Philippines, Inc., a wholly owned subsidiary of Cargill, Inc. (Cargill), to establish a joint venture entity to build and operate a poultry processing plant in Sto. Tomas, Batangas, Philippines. Cargill will oversee the setting up, management and operations of this facility.

The joint venture entity, incorporated as Cargill Joy Poultry Meats Production, Inc., is 70% owned by Cargill and 30% owned by the Parent Company. This entity will create an estimated 1,000 new full time jobs and develop new opportunities in the farming community in Batangas and nearby provinces as local poultry farmers are contracted to grow chicken to supply the requirements of the processing plant. The poultry processing plant has not yet started commercial operations as at March 31, 2017.

The details of Jollibee Group's interest in Cargill Joy Poultry as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in a joint venture - cost	₱233,406	₱233,406
Cumulative equity in net losses:		
Balance at beginning of period	(3,925)	—
Equity in net loss during the period	(14,011)	(3,925)
Balance at end of period	(17,936)	(3,925)
	₱215,470	₱229,481

Summarized financial information of the Cargill Joy Poultry based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements as at March 31, 2017 and December 31, 2016 are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	₱908,937	₱769,608
Current liabilities	₱190,366	₱4,672
Noncurrent liabilities	338	—
Total liabilities	₱190,704	₱4,672

The amounts of assets and liabilities as at March 31, 2017 and December 31, 2016 include the following:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	₱423,243	₱631,739
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	70,534	1,105
Noncurrent financial liabilities (excluding provisions)	338	—

The amounts of the income and expense accounts for the period ended March 31, 2017 include the following:

Revenues	₱—
Interest income	24
Net loss	(46,703)
Total comprehensive loss	(46,703)

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱718,233	₱764,936
Proportion of the Jollibee Group's ownership	30%	30%
	₱215,470	₱229,481

WJ Investments Limited (WJ). On August 22, 2012, the Jollibee Group, through JWPL and GPPL, entered into an agreement with Hoppime Ltd., a subsidiary of Wowprime Corporation of Taiwan (Wowprime) and some key executives of Wowprime, to establish a joint venture entity to own and operate the 12 Hotpot brand in the People's Republic of China, Hong Kong and Macau. The "12 Hotpot" restaurant is known in Taiwan for its low-priced hotpot dishes.

The joint venture entity, incorporated as WJ Investments Limited (WJ), is 48%-owned by the Jollibee Group and 48%-owned by Wowprime's subsidiary and executives. The remaining 4% is owned by certain individuals with experience in the retail sector in China. Through their subsidiaries, Jollibee and Wowprime have joint control and management of WJ.

As at March 31, 2017, capital contributions of the Jollibee Group to WJ amounted to USD9.6 million (₱414.9 million). The first store started commercial operations in January 2013.

The details of Jollibee Group's interest in WJ as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in a joint venture - cost	₱414,872	₱414,872
Cumulative equity in net losses:		
Balance at beginning of period	(263,243)	(194,063)
Equity in net loss during the period	(3,507)	(69,180)
Balance at end of period	(266,750)	(263,243)
	₱148,122	₱151,629

Summarized financial information of WJ based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	₱253,736	₱282,556
Noncurrent assets	106,084	107,872
Total assets	₱359,820	₱390,428
Current liabilities	₱28,433	₱54,592

The amounts of assets and liabilities above include the following:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	₱223,607	₱238,079
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	—

The amounts of the income and expense accounts include the following:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Revenues	₱100,113	₱107,465
Depreciation and amortization	8,755	12,111
Interest income - net	130	1,833
Net loss	(7,306)	(30,156)
Total comprehensive loss	(7,306)	(30,156)

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱330,864	₱335,836
Proportion of the Jollibee Group's ownership	48%	48%
	158,815	161,201
Cumulative translation adjustments	(10,693)	(9,572)
	₱148,122	₱151,629

Golden Bee Foods Restaurants LLC (Golden Bee). On February 25, 2014, the Jollibee Group, through GPPL, signed a joint agreement with Golden Crown Foods LLC (GCFL) to establish a joint venture entity to own and operate the Jollibee brand in the United Arab Emirates.

The joint venture entity, incorporated as Golden Bee on January 28, 2015, is 49% owned by GPPL and 51% owned by GCFL. GPPL and GCFL will share joint control and management of Golden Bee.

As at March 31, 2017, the Jollibee Group has invested USD0.8 million (P33.9 million) in Golden Bee. The first store started commercial operations on May 4, 2015.

The details of the Jollibee Group's interest in the Golden Bee joint venture as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in a joint venture - cost	P33,926	P33,926
Cumulative equity in net earnings:		
Balance at beginning of period	66,237	14,017
Equity in net earnings during the period	34,605	52,220
Balance at end of period	100,842	66,237
	P134,768	P100,163

Summarized financial information of Golden Bee based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	P197,533	P92,129
Noncurrent assets	223,516	209,806
Total assets	P421,049	P301,935
 Current liabilities	 P143,422	 P96,606

The amounts of assets and liabilities above include the following:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	P120,296	P30,527
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	—

The amounts of the income and expense accounts include the following:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Revenues	P317,500	P84,231
Depreciation and amortization	10,220	1,297
Net income (loss)	70,622	(4,018)
Total comprehensive income (loss)	70,622	(4,018)

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱277,627	₱205,329
Proportion of the Jollibee Group's ownership	49%	49%
	136,037	100,611
Cumulative translation adjustments	(1,269)	(448)
	₱134,768	₱100,163

Interest in Associates

Entrek (B) SDN BHD (Entrek). The Jollibee Group, through JIBL, has 1/3 or 33.3% ownership in Entrek, a company that operates Jollibee stores in Brunei.

The details of the Jollibee Group's interest in Entrek as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in associates - cost	₱16,660	₱16,660
Cumulative equity in net earnings:		
Balance at beginning of period	95,567	75,612
Equity in net earnings during the period	1,993	19,955
Balance at end of period	97,560	95,567
	₱114,220	₱112,227

Summarized financial information of Entrek based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	₱544,887	₱523,344
Noncurrent assets	140,892	141,509
Total assets	₱685,779	₱664,853
Current liabilities	₱274,288	₱270,199
Noncurrent liabilities	1,792	4,505
Total liabilities	₱276,080	₱274,704

The amounts of the income and expense accounts include the following:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Revenues	₱167,179	₱150,080
Depreciation	8,714	7,319
Total comprehensive income	5,979	10,413

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱409,699	₱390,149
Proportion of the Jollibee Group's ownership	33.33%	33.33%
	136,566	130,050
Impairment loss recognized in 2011	(16,660)	(16,660)
Cumulative translation adjustments	(5,686)	(1,163)
	₱114,220	₱112,227

Cargill Joy Poultry Realty, Inc. (Cargill Joy Realty). On May 24, 2016, the Parent Company entered into an agreement with Cargill Philippines to establish Cargill Joy Poultry Realty Inc., which will lease the land where the Cargill Joy Poultry plant will be located.

The details of the Jollibee Group's interest in Cargill Joy Realty as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Interest in a joint venture - cost	₱10,586	₱10,586
Cumulative equity in net losses:		
Balance at beginning of period	(602)	—
Equity in net loss during the period	(771)	(602)
Balance at end of period	(1,373)	(602)
	₱9,213	₱9,984

Summarized financial information of Cargill Joy Realty based on its financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements as at March 31, 2017 and December 31, 2016 are set out below:

	March 2017 (Unaudited)	December 2016 (Audited)
Current assets	₱8,922	₱25,724
Noncurrent assets	59,576	61,440
Total assets	₱68,498	₱87,164
Current liabilities	₱2,242	₱18,338
Noncurrent liabilities	35,546	35,546
Total liabilities	₱37,788	₱53,884

The amounts of assets and liabilities as at March 31, 2017 and December 31, 2016 are the following:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	6,705	₱25,548
Current financial liabilities (excluding trade payables and other current liabilities and provisions)	—	2
Noncurrent financial liabilities	35,546	35,546

The amounts of the income and expense accounts for the period ended March 31, 2017 include the following:

Revenues		₱—
Taxes and licenses		—
Interest expense		277
Net loss		(2,570)
Total comprehensive loss		(2,570)

	March 2017 (Unaudited)	December 2016 (Audited)
Net assets	₱30,710	₱33,280
Proportion of the Jollibee Group's ownership	30%	30%
	₱9,213	9,984

E. Divestments

San Pin Wang. On March 9, 2012, the Jollibee Group, through JWPL, completed its acquisition of 55% equity interest of Guangxi San Pin Wang Food and Beverage Management Company Limited (San Pin Wang) which operates the San Pin Wang beef noodle business in South China. The other 45% of San Pin Wang is held by GZK.

A contingent consideration had been agreed as part of the purchase agreement with GZK. This consideration is contingent on meeting target net income after tax of San Pin Wang for the next three years. In May 2013, the Jollibee Group paid RMB7.5 million (₱50.1 million) as the contingent consideration for the year 2012. In May 2015, another payment was made amounting to RMB6.8 million (₱50.1 million) as the contingent consideration for the year 2014. The remaining final contingent consideration for the year 2015 amounting to RMB3.3 million (₱23.6 million) was fully settled on May 13, 2016.

On December 30, 2016, JWPL, divested its shareholdings in San Pin Wang making GZK the 100% registered owner of San Pin Wang. This resulted to a gain on sale of ₱158.9 million which is recognized in the statements of comprehensive income. The divestment is part of the Jollibee Group's intention to focus on building its Yonghe King business, its largest business in China.

The consideration for the 55% stake of JWPL of about RMB90.0 million (P644.5 million) is payable in five tranches, as follows:

Tranche	Date	Amount
1	December 19, 2016	RMB25,000
2	December 28, 2016	25,000
3	January 20, 2017	20,000
4	October 30, 2017	10,000
5	October 30, 2018	10,000
		RMB90,000

The first tranche was collected on December 31, 2016. The second and third tranches were collected in January 2017. The second to fourth tranches are shown as part of “Other current assets” and the fifth tranche is included as part of “Other noncurrent assets” in the consolidated statements of financial position as at March 31, 2017 and December 31, 2016 (see Notes 9 and 15).

ChowFun. On March 31, 2011, the Jollibee Group, through its wholly-owned subsidiary, JWPL, acquired from Aspen Partners, LLC 2,400 shares of ChowFun Holdings, LLC (Chowfun) for USD3.4 million (PHP139.6 million), bringing its equity share to ChowFun to 80.55%. ChowFun is the developer and owner of Jinja Bar and Bistro in New Mexico, USA.

On December 31, 2016, the Jollibee Group divested its shareholdings in ChowFun for a consideration of USD1.6 million (P79.6 million). The divestment was completed on December 23, 2016. ChowFun paid JWPL to redeem JWPL’s 2,900 Class A Membership Units, equivalent to 80.55% equity shares. This resulted to a loss on sale of P84.0 million which is recognized in the statements of comprehensive income. The divestment is part of Jollibee Group’s intention to concentrate its resources in building its larger businesses.

12. Property, Plant and Equipment

The rollforward analysis of property, plant and equipment are as follows:

March 2017 (Unaudited)								
	Land and Land Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of period	P673,250	P2,743,294	P17,177,082	P15,529,426	P1,230,895	P611,648	P902,457	P38,868,052
Additions	–	673	244,584	406,004	44,361	6,188	1,162,555	1,864,365
Retirements and disposals	–	–	(171,771)	(90,169)	(5,442)	(133)	(91,263)	(358,778)
Reclassifications (see Note 13)	–	67,262	686,257	288,260	47,040	–	(1,042,532)	46,287
Translation adjustments	627	4,582	88,033	39,009	2,038	595	2,532	137,416
Balance at end of period	673,877	2,815,811	18,024,185	16,172,530	1,318,892	618,298	933,749	40,557,342
Accumulated Depreciation and Amortization								
Balance at beginning of period	7,564	1,246,145	9,737,843	9,978,599	802,982	396,621	–	22,169,754
Depreciation and amortization (see Notes 21 and 22)	–	30,071	455,405	498,902	52,571	17,734	–	1,054,683
Retirements and disposals	–	–	(157,056)	(83,297)	(5,329)	(133)	–	(245,815)
Reclassifications (see Note 13)	–	46,287	–	–	–	–	–	46,287
Translation adjustments	–	880	66,799	25,345	2,720	475	–	96,219
Balance at end of period	7,564	1,323,383	10,102,991	10,419,549	852,944	414,697	–	23,121,128
Accumulated Impairment Losses								
Balance at beginning of period	–	–	–	42,731	–	–	–	42,731
Reversals (see Note 22)	–	–	–	(1,425)	–	–	–	(1,425)
Balance at end of period	–	–	–	41,306	–	–	–	41,306
Net Book Value	P666,313	P1,492,428	P7,921,194	P5,711,675	P465,948	P203,601	P933,749	P17,394,908

December 2016 (Audited)								
	Land and Improvements	Plant, Buildings, Commercial Condominium Units and Improvements	Leasehold Rights and Improvements	Office, Store and Food Processing Equipment	Furniture and Fixtures	Transportation Equipment	Construction in Progress	Total
Cost								
Balance at beginning of year	₱669,735	₱2,873,961	₱14,912,782	₱13,759,957	₱1,123,037	₱542,761	₱1,267,898	₱35,150,131
Additions	—	5,642	1,174,705	1,398,054	137,559	87,482	3,890,691	6,694,133
Acquisition of subsidiary (see Note 11)	—	—	134,860	92,924	1,820	—	46	229,650
Divestments	—	(253,293)	(278,354)	(357,315)	(65,829)	(7,114)	(2,728)	(964,633)
Retirements and disposals	—	(400)	(1,243,336)	(890,892)	(129,080)	(14,565)	(104,532)	(2,382,805)
Reclassifications (see Note 13)	—	124,376	2,401,801	1,488,539	150,393	3,155	(4,151,214)	17,050
Translation adjustments	3,515	(6,992)	74,624	38,159	12,995	(71)	2,296	124,526
Balance at end of year	673,250	2,743,294	17,177,082	15,529,426	1,230,895	611,648	902,457	38,868,052
Accumulated Depreciation and Amortization								
Balance at beginning of year	7,528	1,157,960	9,138,113	9,206,534	750,596	340,248	—	20,600,979
Depreciation and amortization	36	81,479	1,729,314	1,848,220	177,586	70,984	—	3,907,619
Acquisition of subsidiary (see Note 11)	—	—	23,372	32,190	—	—	—	55,562
Divestments	—	(9,721)	(123,369)	(288,583)	(7,076)	(3,292)	—	(432,041)
Retirements and disposals	—	(39)	(1,064,683)	(851,189)	(126,081)	(11,274)	—	(2,053,266)
Reclassifications (see Note 13)	—	17,050	7,744	(7,725)	(7)	(12)	—	17,050
Translation adjustments	—	(584)	27,352	39,152	7,964	(33)	—	73,851
Balance at end of year	7,564	1,246,145	9,737,843	9,978,599	802,982	396,621	—	22,169,754
Accumulated Impairment Losses								
Balance at beginning of year	—	—	—	2,000	—	—	—	2,000
Additions	—	—	—	42,731	—	—	—	42,731
Reversals	—	—	—	(2,000)	—	—	—	(2,000)
Balance at end of year	—	—	—	42,731	—	—	—	42,731
Net Book Value	₱665,686	₱1,497,149	₱7,439,239	₱5,508,096	₱427,913	₱215,027	₱902,457	₱16,655,567

Construction in progress account mainly pertains to costs incurred for ongoing construction of properties, including soon-to-open stores.

Loss on disposals and retirements of property, plant and equipment and investment properties amounted to ₱80.7 million and ₱41.7 million for the periods ended March 31, 2017 and 2016, respectively.

The cost of fully depreciated property, plant and equipment still in use amounted to ₱9,758.8 million and ₱9,929.9 million as at March 31, 2017 and December 31, 2016, respectively.

The Jollibee Group performed impairment assessments of its store fixed assets considering that there are observable indications that the assets' values have significantly declined during the period as a result of the passage of time. Consequently, an allowance for impairment loss on office, store and food processing equipment amounting to ₱42.7 million was recognized in 2016.

No property, plant and equipment as at March 31, 2017 and December 31, 2016 have been pledged as security or collateral.

13. Investment Properties

The rollforward analysis of this account follows:

	March 2017 (Unaudited)		
	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning of period	₱983,428	₱182,901	₱1,166,329
Retirements and disposals	—	(3,874)	(3,874)
Reclassifications (see Note 12)	—	(46,287)	(46,287)
Balance at end of period	983,428	132,740	1,116,168
Accumulated Depreciation and Amortization			
Balance at beginning of period	—	182,901	182,901
Retirements and disposals	—	(3,874)	(3,874)
Reclassifications (see Note 12)	—	(46,287)	(46,287)
Balance at end of period	—	132,740	132,740
Net Book Value	₱983,428	₱—	₱983,428

	December 2016 (Audited)		
	Land	Buildings and Building Improvements	Total
Cost			
Balance at beginning of year	₱983,428	₱199,951	₱1,183,379
Reclassifications (see Note 12)	—	(17,050)	(17,050)
Balance at end of year	983,428	182,901	1,166,329
Accumulated Depreciation and Amortization			
Balance at beginning of year	—	185,266	185,266
Depreciation	—	14,685	14,685
Reclassifications (see Note 12)	—	(17,050)	(17,050)
Balance at end of year	—	182,901	182,901
Net Book Value	₱983,428	₱—	₱983,428

In 2017 and 2016, the Jollibee Group transferred cost of fully depreciated units of a building from investment property to owner-occupied property.

The cost of fully depreciated buildings and building improvements still being leased out by the Jollibee Group amounted to ₱178.1 million and ₱182.0 million as at March 31, 2017 and December 31, 2016, respectively.

The Jollibee Group's investment properties have an aggregate fair value of ₱1,414.3 million as at December 31, 2014 as determined by independent qualified appraisers. Management does not expect a significant change in the aggregate fair value of the Jollibee Group's investment properties in 2017. The fair value represents the amount at which the assets and liabilities can be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions in accordance with International Valuation Standards.

In determining the fair value of the investment properties, the independent appraisers used the market data approach for land and cost approach for buildings and building improvements. For land, fair value is based on sales and listings of comparable properties within the vicinity after adjustments for differences in location, size and shape of the lot, time elements and other factors between the properties and their comparable properties. For buildings and building improvements, fair value is based on the current cost to replace the properties in accordance with prevailing market prices for materials, labor, and contractors' overhead, profit and fees in the locality after adjustments for depreciation due to physical deterioration, and functional and economic obsolescence based on personal inspection of the buildings and building improvements and in comparison to similar properties. Fair value hierarchy disclosures for investment properties have been provided in Note 31.

Rent income derived from income-generating properties amounted to ₱13.0 million and ₱21.9 million for the periods ended March 31, 2017 and 2016, respectively (see Notes 20 and 29).

Direct operating costs relating to the investment properties which include depreciation and maintenance expenses totaled to ₱2.2 million and ₱4.3 million for the periods ended March 31, 2017 and 2016, respectively.

No investment properties as at March 31, 2017 and December 31, 2016 have been pledged as security or collateral for the Jollibee Group's debts.

14. Goodwill and Other Intangible Assets

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
Goodwill	₱6,542,422	₱6,542,422
Trademark	2,004,256	2,004,256
Computer software, net of accumulated amortization	496,827	513,337
Other intangible assets, net of accumulated amortization	24,595	26,727
	₱9,068,100	₱9,086,742

Goodwill and trademark

Goodwill and trademark acquired through business combinations are attributable to the following group of CGUs as at March 31, 2017 and December 31, 2016:

Goodwill:	
Hong Zhuang Yuan	₱2,497,253
Mang Inasal	1,781,267
Red Ribbon Bakeshop:	
Philippine operations	737,939
US operations	434,651
Yong He King	535,281
Chowking US operations	383,855
GSC (see Note 11)	166,931
Burger King	5,245
Total goodwill	6,542,422
Trademark -	
Mang Inasal	2,004,256
Goodwill and trademark	₱8,546,678

Computer software

The Jollibee Group's computer software pertains to the Enterprise Resource Planning (ERP) system which the Jollibee Group started to use on August 1, 2014.

The rollforward analysis of the Jollibee Group's computer software as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Cost:		
Balance at beginning of period	₱670,762	₱656,177
Additions	–	14,585
Balance at end of period	₱670,762	₱670,762
Accumulated amortization:		
Balance at beginning of period	₱157,425	₱96,935
Amortizations (see Note 22)	16,510	60,490
Balance at end of period	₱173,935	₱157,425
Net book value:		
At March 31, 2017 and December 31, 2016	₱496,827	₱513,337
At January 1	513,337	559,242

Other intangible assets

The Jollibee Group's other intangible assets include other trademarks and patents amortized over its useful life of five years.

The roll forward analysis of other intangible assets as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Cost:		
Balance at beginning of period	₱56,983	₱47,863
Additions	113	9,120
Balance at end of period	₱57,096	₱56,983
Accumulated amortization:		
Balance at beginning of period	₱30,256	₱21,753
Amortizations (see Note 22)	2,245	8,503
Balance at end of period	₱32,501	₱30,256
Net book value:		
At March 31, 2017 and December 31, 2016	₱24,595	₱26,727
At January 1	26,727	26,110

Impairment Testing of Goodwill and Trademark

Goodwill acquired through business combinations have been allocated to seven (7) groups of CGUs, which are subsidiaries of the Parent Company, owned directly or indirectly. The recoverable amounts of the groups of CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by the BOD covering a five-year period. Furthermore, the trademark of Mang Inasal is allocated to the CGU of Mang Inasal.

The calculation of value in use is most sensitive to the following assumptions which vary per geographical location:

CGUs	Geographical Location	Pre-tax Discount Rate	Long-term Revenue Growth Rate
Hong Zhuang Yuan	PRC	11.4%	6.4%
Mang Inasal	Philippines	11.0%	6.6%
Red Ribbon Bakeshop:			
Philippine operations	Philippines	11.0%	6.6%
US operations	USA	14.1%	2.1%
Yong He King	PRC	11.0%	6.4%
Chowking US operations	USA	13.7%	2.1%
Burger King	Philippines	10.8%	6.6%

Key assumptions with respect to the calculation of value in use of the groups of CGUs as at December 31, 2016 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

- a) Discount rates - discount rates represent the current market assessment of the risks specific to each group of CGUs, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Jollibee Group's group of CGUs, derived from weighted average cost of capital (WACC) of each group of CGUs. The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM). The cost of debt is based on the assumed interest-bearing borrowings each group of CGUs is obliged to service. CGU-specific risk is incorporated by applying individual alpha and beta factors. The beta factors are evaluated annually based on publicly available market data.
- b) Long-term growth rates - rates are determined in consideration of historical and projected results, as well as the economic environment where the group of CGUs operates.
- c) EBITDA - is based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the other groups of CGUs to exceed its recoverable amount.

No impairment losses were recognized for goodwill and trademark for the year ended December 31, 2016.

15. Other Noncurrent Assets

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
Security and other deposits (see Notes 30 and 31)	₱2,156,049	₱2,103,707
Noncurrent portion of:		
Rent and other long-term prepayments	418,886	379,393
Employee car plan receivables (see Notes 30 and 31)	142,999	130,584
Prepaid market entry fee - net of accumulated amortization of ₱5.9 million and ₱4.6 million in 2017 and 2016, respectively (see Notes 11 and 22)	99,259	99,626
Receivable from sale of business (see Note 11)	72,865	71,612
Deferred rent expense	49,196	49,196
Returnable containers and others	40,855	21,121
Deferred compensation	17,710	17,710
Other assets	173,745	171,603
	₱3,171,564	₱3,044,552

Security and other deposits generally represent deposits for operating leases entered into by the Jollibee Group as lessee. The security deposits are recoverable from the lessors at the end of the lease terms, which range from three to twenty years. These are carried at amortized cost. The discount rates used range from 2.36%-5.38% and 2.67%-5.50% in 2016 and 2015, respectively. The difference between the fair value at initial recognition and the notional amount of the security deposits is charged to “Deferred rent expense” account and amortized on straight-line basis over the lease terms.

Employee car plan receivables are presented at amortized cost. The difference between the fair value at initial recognition and the notional amount of the employees’ car plan receivables is recognized as deferred compensation and is amortized on a straight-line basis over the credit period.

Prepaid market entry fee represents upfront fee paid to the franchisor prior to the operations of Dunkin’ Donuts restaurants in the PRC (see Note 11). Market entry fee is amortized over twenty (20) years effective February 2016, start of Dunkin’ Donuts operations.

The rollforward analysis of prepaid market entry fee as at March 31, 2017 and December 31, 2016 are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of period	₱99,626	₱93,870
Amortizations (see Note 22)	(1,313)	(4,571)
Translation adjustment	946	10,327
Balance at end of period	₱99,259	₱99,626

Receivable from sale of business pertains to noncurrent portion of receivables from GZK as a result of the Jollibee Group’s divestment in SPW (see Note 11). Other Assets represent tools for repairs and maintenance of office and store equipment which were still unused as at March 31, 2017 and December 31, 2016.

Accretion of interest on security and other deposits and employee car plan receivables amounted to ₱4.1 million and ₱3.1 million for the periods ended March 31, 2017 and 2016, respectively (see Note 23).

16. Trade Payables and Other Current Liabilities

This account consists of:

	March 2017 (Unaudited)	December 2016 (Audited)
Trade	₱8,639,572	₱9,944,749
Accruals for:		
Store operations	1,327,916	1,397,179
Advertising and promotions	1,207,007	1,206,902
Local and other taxes	1,149,537	1,599,791
Salaries, wages and employee benefits	1,088,162	1,406,605
Rent	903,823	923,430
Utilities	401,344	393,389
Repairs and maintenance	301,105	300,594
Operating supplies	265,631	326,017
Freight	260,004	374,225
Corporate events	168,728	250,673
Professional fees	155,813	203,089
Security	143,360	140,547
Trainings and seminars	127,261	124,801
Communication	66,807	76,569
Transportation and travel	49,334	54,131
Interest (see Note 18)	48,530	51,384
Insurance	31,831	20,207
Service fees and others	1,338,525	1,455,559
Customers' deposits	614,118	617,218
Unearned revenue from gift certificates	104,361	147,098
Dividends payable	41,432	47,705
Other current liabilities	914,431	898,705
	₱19,348,632	₱21,960,567

Trade payables to suppliers are noninterest-bearing and are normally settled on a 30 to 60-day term.

Accrued expenses are noninterest-bearing and are normally settled within the next financial year. Other accrued liabilities include service fees which amounted to ₱226.8 million and ₱188.3 million as at March 31, 2017 and December 31, 2016, respectively. This also consists of charges related to representations and other miscellaneous expenses.

Customers' deposits pertain to security deposits from operating leases with franchisees and subsidiaries, which are refundable at the end of the lease term and deposits for kiddie party packages.

Other current liabilities consist of staled checks, amounts payable for mascots and various subscriptions in newspapers given to customers as a complementary to their meals.

Accretion of interest on financial liabilities amounted to ₱2.6 million and ₱4.5 million for the periods ended March 31, 2017 and 2016, respectively (see Note 23).

17. Provisions

The Jollibee Group has outstanding provisions amounting to ₱30.5 million as at March 31, 2017 and December 31, 2016, consisting mainly of provisions for asserted claims.

These include estimates of legal services, settlement amounts and other costs of claims made against the Jollibee Group. Other information on the claims is not disclosed as this may prejudice the Jollibee Group's position on such claims (see Note 29).

18. Short and Long-term Debts

Short-term Debt

On February 12, 2015, JWPL availed a short-term loan from a local bank amounting to USD6.0 million (₱282.4 million) with an interest rate of 1.5% per annum, subject to monthly repricing. The principal of USD6.0 million (₱276.4 million) and interest amounting to ₱1.0 million were paid in full on February 5, 2016, the date of maturity.

Interest expense recognized on short-term debt amounted to nil and ₱0.5 million for the periods ended March 31, 2017 and 2016, respectively (see Note 23).

Long-term Debt

The long-term debt consists of the following:

	March 2017 (Unaudited)	December 2016 (Audited)
Principal	₱11,895,075	₱12,165,608
Unamortized debt issue cost	(9,424)	(10,242)
	₱11,885,651	₱12,155,366

The details of long-term debt follow:

	March 2017 (Unaudited)	December 2016 (Audited)
USD-denominated:		
Loan 1	₱5,367,969	₱5,469,200
Loan 2	501,940	621,500
Loan 3	225,873	298,320
Loan 4	1,505,820	1,491,600
Loan 5	401,552	397,760
Loan 6	200,776	198,880
Loan 7	296,145	293,348
PHP-denominated:		
Loan 8	1,481,932	1,481,591
Loan 9	798,333	798,133
Loan 10	995,833	995,584
Loan 11	109,478	109,450
	11,885,651	12,155,366
Less current portion - net of debt issue costs of ₱2.4 million and ₱0.6 million in 2017 and 2016, respectively	1,560,505	1,561,516
	₱10,325,146	₱10,593,850

USD-denominated loans of JWPL. Loan 1 consists of a 10-year unsecured loan acquired from a local bank on October 21, 2015 amounting to USD110.0 million (₱5,111.7 million) subject to a variable interest rate based on three-month London Interbank Offered Rate (LIBOR) plus spread of 1.20% which is payable and is reset on a quarterly basis. The spread applies provided the Republic of the Philippines' 5-year credit default swap remains under 1.10%. The principal is payable in quarterly installments commencing on January 23, 2017 up to October 21, 2025, the maturity date. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱5,368.0 million and ₱5,469.2 million, respectively.

Under the loan agreement, the Parent Company as the guarantor is subject to certain debt covenants which include among others, maintaining a Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. As at March 31, 2017 and December 31, 2016, the Parent Company is in compliance with the terms of the loan covenants.

Loan 2 consists of a 5-year unsecured loan acquired on February 25, 2013 amounting to USD40.0 million (₱1,632.0 million) subject to quarterly interest repricing with one-time option to fix in the future. The interest rate is based on three-month US Dollar LIBOR plus spread of 1.0%. The principal is payable in 16 quarterly installments commencing on May 26, 2014 up to February 26, 2018, the maturity date. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱501.9 million and ₱621.5 million, respectively.

Loan 3 consists of a 4-year unsecured loan acquired on October 25, 2013 amounting to USD18.0 million (₱777.8 million) with an interest rate based on three-month USD LIBOR plus spread of 1.0% subject to interest repricing every quarter. The principal is payable in 12 quarterly installment commencing on January 25, 2015 up to October 25, 2017, the date of maturity. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱225.9 million and ₱298.3 million, respectively.

The loan agreements above (Loans 2 and 3) provide certain restrictions and requirements with respect to maintaining financial ratios, which include Debt-to-Equity ratio which is not to exceed 1.5 and Debt Service Coverage ratio of at least 2.0. As at March 31, 2017 and December 31, 2016, JWPL is in compliance with the terms of its loan covenants.

Loan 4 consists of an 8-year unsecured loan acquired on November 29, 2016 amounting to USD30.0 million (₱1,491.9 million) with an interest rate of 3.0% per annum. The principal is payable in 6 yearly installment commencing on November 29, 2017 up to November 29, 2022 amounting to USD0.3 million, and the remaining balance on November 29, 2024, the maturity date. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱1,505.8 million and ₱1,491.6 million, respectively.

Loan 5 consists of a 6-year unsecured loan acquired on November 29, 2016 amounting to USD8.0 million (₱397.8 million) with an interest rate based on interpolated ROP 2021 and ROP 2024 plus spread of 0.5%. The principal is payable in 5 yearly installment commencing on November 29, 2017 up to November 29, 2021 amounting to USD0.08 million, and the remaining balance on November 29, 2022, the maturity date. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱401.6 million and ₱397.8 million, respectively.

Under the loan agreement, the Parent Company as the guarantor is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 and below. The Parent Company is in compliance with these debt covenants as at March 31, 2017 and December 31, 2016, respectively.

USD-denominated loans of HBFPPPL. Loan 6 consists of a 5-year unsecured loan acquired on May 8, 2013 amounting to USD4.0 million (₱163.3 million) with an interest rate based on three-month USD LIBOR plus spread of 1.0% basis points subject to repricing every quarter. The principal is payable on May 7, 2018, the maturity date. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱200.8 million and ₱198.9 million, respectively.

Loan 7 consists of a 5-year unsecured loan acquired on April 25, 2014 amounting to USD5.9 million (₱257.5 million) with an interest rate of 1.48% subject to repricing every quarter. The principal is payable on April 24, 2019, the maturity date. As at March 31, 2017 and December 31, 2016, the carrying value of the loan amounted to ₱296.1 million and ₱293.3 million, respectively.

The loan agreements above (Loans 6 and 7) provide certain restrictions and requirements with respect to maintaining financial ratios, which include Debt-to-Equity ratio and Debt-to-EBITDA ratio not to exceed 3.0. As at March 31, 2017 and December 31, 2016, the HBFPPPL is in compliance with the terms of its loan covenants.

PHP-denominated loans of the Parent Company. On December 9, 2013, the Parent Company refinanced its ₱1,500.0 million term loan from a local bank due on December 16, 2013 by availing a term loan of the same amount (Loan 8). The new loan is payable over five years and six months from the date of drawdown with annual principal repayments of ₱15.0 million starting on the 30th month from the date of drawdown and ₱1,455.0 million upon maturity. The loan is subject to a variable interest rate based on three-month Philippine Dealing System Treasury Fixing (PDST-F) rate plus spread of 1.25%, which is payable and is reset on a quarterly basis, and to an interest rate floor based on the Bangko Sentral ng Pilipinas (BSP) Overnight Reverse Repurchase Agreement Rate. The loan was drawn on December 16, 2013 and will mature on June 17, 2019. The Parent Company incurred debt issue costs of ₱7.5 million, representing documentary stamp tax, in relation to this loan in 2013.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 or below. The Parent Company is in compliance with these debt covenants as at March 31, 2017 and December 31, 2016.

Loan 9 consists of a 5-year unsecured loan acquired from a local bank on April 21, 2014 amounting to ₱800.0 million. The loan is subject to a variable interest rate based on three-month PDST-F rate plus spread of 1.00%, and to an interest rate floor based on the BSP Special Deposit Account Rate plus spread of 1.00% or BSP Overnight Borrowing Rate plus spread of 1.0%. The Parent Company incurred debt issue costs of ₱4.0 million, representing documentary stamp tax, in relation to this loan in 2014. The principal is payable on April 21, 2019, the date of maturity.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 and below and Debt-to-Service Coverage ratio of at least 3.0 and 1.3, respectively. The Parent Company is in compliance with these debt covenants as at March 31, 2017 and December 31, 2016.

Loan 10 consists of 5-year unsecured loan acquired from a local bank on April 21, 2016 amounting to ₱1,000.0 million. The loan is subject to an interest rate based on Reference Rate plus spread of 0.55%, subject to repricing every quarter, and to an interest rate floor of BSP SDA. Provided, however that on any Interest Payment Date, in lieu of a floating interest rate, the Parent Company shall have a one-time option to convert into a fixed-interest rate loan. The principal is payable in sixteen (16) quarterly installments commencing on the 15th month from drawdown date

amounting to ₱62.5 million. The Parent Company incurred debt issue cost of ₱5.0 million, representing documentary stamp tax, for this loan.

Under the loan agreement, the Parent Company is subject to certain debt covenants which include among others, the maintenance of a required Debt-to-Equity ratio and Debt-to-EBITDA ratio of 3.0 and below. The Parent Company is in compliance with these debt covenants as at March 31, 2017 and December 31, 2016.

The Parent Company's PHP denominated long-term debt (Loans 8,9 and 10) amounts to ₱3,276.1 million and ₱3,275.3 million, net of unamortized debt issue cost of ₱8.9 million and ₱9.7 million as at March 31, 2017 and December 31, 2016, respectively. The current portion amounting to ₱202.5 million and ₱140.0 million, net of debt issue costs of ₱2.4 million and ₱0.6 million as at March 31, 2017 and December 31, 2016, respectively.

PHP-denominated loan of PERF Restaurants, Inc.(PERF). Loan 11 is a 5-year unsecured loan acquired from local bank on December 21, 2016 amounting to ₱110.0 million with an interest rate based on three-month PDST-R2 + 1.0% with interest rate floor computed as BSP Overnight Deposit Facility Rate plus 0.5%.

Loan is guaranteed by the Parent Company, consequently, the Parent Company is subject to certain debt covenants which include, among others, maintaining a Debt-to-Equity ratio of 3.0 and below and Debt-to-Service Coverage ratio of at least 3.0 and 1.3, respectively. The Parent Company is in compliance with these debt covenants as at March 31, 2017 and December 31, 2016, respectively.

Interest expense recognized on long-term debt including amortization of debt issue cost, amounted to ₱92.3 million and ₱55.8 million for the periods ended March 31, 2017 and 2016, respectively (see Note 23).

The future expected principal settlements of the Jollibee Group's loans follow:

2017	₱1,221,513
2018	1,519,961
2019	3,137,556
2020 to 2025	6,016,045
	11,895,075
Less debt issue costs	(9,424)
	<u>₱11,885,651</u>

Embedded Derivatives

Certain long-term loans of the Jollibee Group include provisions for an option to convert the variable interest rate into a fixed interest rate. Certain long-term loans are also subject to an interest rate floor. In addition, the Jollibee Group's long-term loans generally provide an option to pre-pay the loan in full before the maturity date.

The Jollibee Group assessed that the derivatives embedded in the loan contracts need not be bifurcated since they are clearly and closely related to the economic characteristics and risks of the host loan contract and do not qualify for separate accounting as at March 31, 2017 and December 31, 2016.

Freestanding Derivatives, Hedges and Hedge Effectiveness Testing

On November 20, 2015, the Jollibee Group entered into an Interest Rate Swap (IRS) with a bank to convert its exposure in the variable interest rate of Loan 1 to a fixed interest rate. The IRS will terminate and the loan will mature simultaneously on October 21, 2025. The Jollibee Group has designated the IRS as a cash flow hedge.

The IRS with a notional amount equal to the principal amount of the loan requires the Jollibee Group to pay fixed interest payments at 3.36% in exchange of variable interest payments at three-month LIBOR plus spread of 1.20% from the bank throughout the term of the IRS on the notional amount. The IRS settles quarterly on a net basis.

The fair value of the IRS amounted to ₱18.9 million and ₱33.5 million as at March 31, 2017 and December 31, 2016, respectively, which were presented as a derivative liability in the statements of financial position. The terms of the IRS approximately match the terms of the interest payments on the loan. Accordingly, there is no hedge ineffectiveness to be recognized in profit or loss. Unrealized gain of ₱14.7 million and unrealized loss of ₱1.4 million were recognized in other comprehensive income for the period ended March 31, 2017 and year ended December 31, 2016, respectively.

In 2012, Loan 12 was converted into a deliverable cross-currency swap transaction to hedge in full the foreign currency risk and interest rate risk on its floating rate. Under the cross-currency swap, PERF received at inception PHP notional amount of ₱149.2 million and paid USD notional amount of USD3.4 million based on the PHP/USD spot reference rate of ₱43.87. At every interest payment date, PERF will receive variable interest based on 3-month US Dollar LIBOR plus spread and will pay fix interest rate. At maturity date, PERF will receive USD notional amount of USD3.4 million and pay PHP notional amount of ₱149.2 million. The USD receipts from the cross-currency swap correspond to the expected interest fixed principal amount due on the hedged loan. Similar to the hedged loan, the cross-currency swap is non-amortizing and it matured on December 20, 2016.

The foreign exchange revaluation of the hedged loan, amounting to ₱6.7 million was recognized in other comprehensive income for the period ended March 31, 2016.

19. Equity

a. Capital Stock

The movements in the account are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Authorized - ₱1 par value	₱1,450,000	₱1,450,000
Issued and subscribed:		
Balance at beginning of period	₱1,091,301	₱1,086,149
Issuances during the period	1,745	5,152
Balance at end of period	1,093,046	1,091,301
Subscriptions receivable	(17,178)	(17,178)
	₱1,075,868	₱1,074,123

The total number of shareholders of the Parent Company is 3,071 and 3,075 as at March 31, 2017 and December 31, 2016, respectively.

b. Additional Paid-in-Capital

The movements in the Additional paid in-capital pertain to the difference between the exercised prices of stock options exercised and the par value of Parent Company's shares. For the periods ended March 31, 2017 and December 31, 2016, stock options totaling 1,744,929 shares and 5,151,895 shares, respectively, were exercised (see Note 26). These resulted to an additional paid in capital amounting to ₱144.2 million and ₱363.5 million for the periods ended March 31, 2017 and December 31, 2016, respectively.

Stock options expense, amounting to ₱56.9 million and ₱58.5 million for the periods ended March 31, 2017 and 2016, respectively, were also recognized as part of additional paid in capital (see Notes 22 and 26).

As at March 31, 2017 and December 31, 2016, total additional-paid in capital amounted to ₱5,861.1 million and ₱5,660.1 million, respectively.

c. Treasury Shares

The cost of common stock of the Parent Company held in treasury of ₱180.5 million consists of 16,447,340 shares as at March 31, 2017 and December 31, 2016.

d. Excess of Cost over the Carrying Value of Non-controlling Interests Acquired

The amount of excess of cost over the carrying value of non-controlling interests acquired as at March 31, 2017 and December 31, 2016, recognized as part of “Equity Attributable to Equity Holders of the Parent Company” section in the consolidated statements of financial position, resulted from the following acquisitions of non-controlling interests:

20% of Greenwich in 2006	₱168,257
15% of Belmont in 2007	375,721
40% of Adgraphix in 2010	(1,214)
30% of Mang Inasal in 2016 (see Note 11)	1,217,615
30% of HBFPL in 2016 (see Note 11)	391,782
	<u>₱2,152,161</u>

e. Retained Earnings

The Jollibee Group has a cash dividend policy of declaring one-third of the Jollibee Group’s net income for the year as cash dividends. It uses best estimate of its net income as basis for declaring cash dividends. Actual cash dividends per share declared as a percentage of the EPS are 32.4% and 38.3% in 2016 and 2015, respectively.

The Parent Company’s retained earnings available for dividend declaration, computed based on the guidelines provided in SEC Memorandum Circular No. 11, amounted to ₱6,549.2 million and ₱6,046.3 million as at March 31, 2017 and December 31, 2016, respectively.

The Parent Company’s cash dividend declarations for 2016, 2015 and 2014 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends Declared
<i>(In Thousands, except dividend per share)</i>				
<u>2016</u>				
April 6	April 21	May 6	₱0.86	₱919,435
November 11	November 28	December 12	1.00	1,072,808
			<u>₱1.86</u>	<u>₱1,992,243</u>
<u>2015</u>				
April 7	May 7	May 29	₱0.80	₱851,350
November 9	November 25	December 9	0.97	1,035,510
			<u>₱1.77</u>	<u>₱1,886,860</u>
<u>2014</u>				
April 7	May 8	May 30	₱0.75	₱788,177
November 12	November 27	December 18	0.89	945,306
			<u>₱1.64</u>	<u>₱1,733,483</u>

An important part of the Jollibee Group’s growth strategy is the acquisition of new businesses in the Philippines and abroad. Examples were acquisitions of 85% of Yonghe King in 2004 in PRC (₱1,200.0 million), 100% of Red Ribbon in 2005 (₱1,700.0 million), the remaining 20% minority share in Greenwich in 2007 (₱384.0 million), the remaining 15% share of Yonghe King in 2007 (₱413.7 million), 100% of Hong Zhuang Yuan restaurant chain in PRC in 2008 (₱2,600.0 million), 70% of Mang Inasal in 2010 (₱2,976.2 million), 100% of Chowking US

operations in 2011 (₱693.3 million), 48% of WJ Investments Limited in 2012 (₱98.0 million), 40% of SJBF LLC, the parent company of the entities comprising the Smashburger business in US (₱4,812.8 million), including transaction costs in 2015, the remaining 30% minority share each in Mang Inasal (₱2,000.0 million) and HBFPL (₱514.9 million) and the acquisition of GSC (₱8.6 million) in 2016.

The Jollibee Group plans to continue to make substantial acquisitions in the coming years. The Jollibee Group uses its cash generated from operations to finance these acquisitions and capital expenditures. These limit the amount of cash dividends that it can declare and pay, making the level of the retained earnings higher than the paid-up capital stock.

In support of the Jollibee Group's strategy, the BOD approved an additional appropriation of ₱8,000.0 million, ₱5,200.0 million, ₱3,800.0 million and ₱1,200.0 million on April 6, 2016, April 11, 2013, February 15, 2012 and in 2009, respectively, for future acquisitions and capital expenditures.

Details of the appropriated retained earnings as at March 31, 2017 and December 31, 2016 follow:

Projects	Timeline	Amount
Capital Expenditures	2013 - 2018	₱10,600,000
Acquisition of Businesses	2013 - 2018	7,600,000
		₱18,200,000

The unappropriated retained earnings of the Parent Company is also restricted to the extent of cost of common stock held in treasury amounting to ₱180.5 million as well as the undistributed retained earnings of its subsidiaries which amounted to ₱2,301.0 million and ₱3,664.8 million as at March 31, 2017 and December 31, 2016, respectively.

In relation with the SRC Rule 68, as Amended (2011), Annex 68-D, below is the summary of the Parent Company's track record of registration of securities.

				2017 (Unaudited)	2016 (Audited)
	Number of Shares registered	Initial issue/offer price	Listing Date	Number of holders of securities as of March 31	Number of holders of securities as of December 31
Common shares	75,000,000	₱9	July 14, 1993	3,071	3,075

20. Royalty, Franchise Fees and Others

This account consists of:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Royalty fees	₱1,261,658	₱1,151,857
Franchise fees	76,024	43,667
Scrap sales	50,181	20,926
Service fees	45,852	31,055
Rent income (see Notes 13 and 29)	13,016	21,868
Other revenues	53,379	64,457
	₱1,500,110	₱1,333,830

The Jollibee Group has existing Royalty and Franchise Agreements with independent franchisees for the latter to operate quick service restaurant outlets under the “Jollibee”, “Chowking”, “Greenwich”, “Red Ribbon”, “Mang Inasal”, “Yong He King” and “Hong Zhuang Yuan” concepts and trade names. In consideration thereof, the franchisees agree to pay franchise fees and monthly royalty fees equivalent to a certain percentage of the franchisees’ net sales.

Other revenues pertain to delivery fees and other miscellaneous revenues earned by the Jollibee Group.

21. Cost of Sales

This account consists of:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Cost of inventories	₱14,048,870	₱12,633,812
Personnel costs:		
Salaries, wages and other employee benefits	2,502,322	2,583,378
Pension expense	32,087	27,065
Rent (see Note 29)	2,151,259	1,891,940
Contracted services	1,620,944	921,644
Electricity and other utilities	1,037,524	930,314
Depreciation and amortization (see Notes 12 and 13)	971,601	848,397
Supplies	582,592	486,937
Repairs and maintenance	229,493	311,525
Security and janitorial	175,359	145,507
Communication	52,574	41,482
Professional fees	9,063	5,497
Entertainment, amusement and recreation	7,349	7,306
Others	640,523	597,050
	₱24,061,560	₱21,431,854

22. General and Administrative Expenses

This account consists of:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Personnel costs:		
Salaries, wages and other employee benefits	₱1,465,125	₱1,285,625
Stock options expense (see Note 26)	56,869	58,511
Pension expense	33,315	32,376
Taxes and licenses	338,377	286,525
Professional fees	136,569	90,016
Transportation and travel	119,362	102,225
Rent (see Note 29)	119,104	109,304
Depreciation and amortization (see Notes 12, 13, 14 and 15)	103,150	123,348
Contracted services	90,927	82,736
Loss on retirement of assets	80,671	41,732
Repairs and maintenance	70,389	26,248
Corporate events	45,307	38,867
Training	35,201	26,079
Communication	25,593	22,779
Supplies	20,996	18,693
Impairment in value of:		
Inventories (see Note 8)	18,981	7,596
Receivables	—	6,536
Entertainment, amusement and recreation	17,944	16,186
Association dues	12,973	12,424
Electricity and other utilities	12,338	12,515
Security and janitorial	5,976	4,575
Insurance	4,010	2,492
Donations	300	28
Reversals of provision for impairment on:		
Inventories (see Note 8)	(48,512)	—
Receivables (see Note 7)	(12,618)	(1,639)
Property, plant & equipment (see Note 12)	(1,425)	—
Others	35,215	105,561
	₱2,786,137	₱2,511,338

23. Interest Income (Expense) and Other Income (Expense)

	March 2017 (Unaudited)	March 2016 (Unaudited)
Interest income:		
Cash and cash equivalents and short-term investments (see Note 6)	P21,617	P22,957
Loans and advances* (see Note 11)	37,887	31,781
Accretion of interest on security and other deposits and employee car plan receivables (see Note 15)	4,063	3,119
	P63,567	P57,857
<i>*Including interest income of other subsidiaries other than those mentioned in Note 11</i>		
Interest expense:		
Long-term debt (see Note 18)	(P92,289)	(P55,813)
Short-term debt (see Note 18)	—	(534)
Accretion of customers' deposits (see Note 16)	(2,552)	(4,509)
	(P94,841)	(P60,856)
Other income (expense):		
Write-off of liabilities	P122,388	P154,722
Rebates and suppliers' incentives	58,582	14,640
Bank charges	(35,058)	(26,164)
Foreign exchange loss - net	(24,132)	(29,165)
Penalties and charges	16,836	14,154
Charges to franchisees	4,464	3,634
Other rentals	3,481	2,419
Pre-termination of operating leases	(17)	—
Insurance claims and others	28,388	10,982
	P174,932	P145,222

In the normal course of business, the Jollibee Group accrues liabilities based on management's best estimate of costs incurred, particularly in cases when the Jollibee Group has not yet received final billings from suppliers and vendors. There are also ongoing negotiations and reconciliations with suppliers and vendors on certain liabilities recorded. These balances are continuously reviewed by management and are adjusted based on these reviews, resulting to write-off of certain liabilities as other income.

24. Income Taxes

The Jollibee Group's provision for current income tax consists of the following:

	March 2017 (Unaudited)	March 2016 (Unaudited)
Final tax withheld on:		
Royalty and franchise fee income	₱285,974	₱258,448
Interest income	3,714	3,389
RCIT:		
With itemized deduction	112,386	159,372
With Optional Standard Deduction (OSD)	71,611	61,334
MCIT	53,920	47,320
	₱527,605	₱529,863

RCIT consists of corporate income taxes from the Jollibee Group's operations in the Philippines, PRC, United States and Singapore.

For the periods ended March 31, 2017 and 2016, Zenith, Grandworth and RRBHI, wholly-owned subsidiaries, elected to use OSD in computing for their taxable income. The total tax benefits from the availment of OSD amounted to ₱14.3 million and ₱14.8 million for the periods ended March 31, 2017 and 2016, respectively.

The components of the Jollibee Group's recognized net deferred tax assets follow:

	March 2017 (Unaudited)	December 2016 (Audited)
Deferred tax assets:		
NOLCO:		
Philippine-based entities	₱966,304	₱844,872
PRC-based entities	218,859	228,101
Pension liability and other benefits	498,944	545,489
Excess of MCIT over RCIT	513,650	460,009
Operating lease payables	477,790	470,202
Accumulated impairment loss in value of receivables, inventories, property, plant and equipment and other nonfinancial assets	100,733	109,328
Unaccreted discount on security deposits and employee car plan receivables	21,384	21,236
Unamortized past service costs	11,540	13,146
Unrealized foreign exchange loss	3,641	17,918
Others	7,927	8,390
Total	2,820,772	2,718,691

	March 2017 (Unaudited)	December 2016 (Audited)
Deferred tax liabilities:		
Prepaid rent	59,474	60,796
Unaccreted discount on employee car plan receivables and security deposits	14,278	14,907
Deferred rent expense	9,634	9,322
Unrealized foreign exchange gain	4,447	43,292
Operating lease receivables	3,935	3,708
Excess of fair value over book value of identifiable assets of acquired businesses	723	711
Unrealized gain on change in fair value of AFS	460	460
	92,951	133,196
Deferred tax assets – net	₱2,727,821	₱2,585,495

The components of the Jollibee Group's recognized net deferred tax liabilities follow:

	March 2017 (Unaudited)	December 2016 (Audited)
Deferred tax assets:		
Allowance for impairment loss on receivables and inventories	₱84,942	₱84,942
Pension liability and other benefits	42,488	41,605
Excess of MCIT over RCIT	24,283	24,921
NOLCO - Philippine-based	10,474	10,474
Operating lease payables	8,610	8,371
Unamortized past service costs	3,524	3,997
Unaccreted discount on security deposits and employee car plan receivables	990	1,022
Unrealized foreign exchange loss	607	33
	175,918	175,365
Deferred tax liabilities:		
Excess of fair value over book value of identifiable assets of acquired businesses	677,105	677,105
Unaccreted discount on employee car plan receivables, security and product security deposits	4,151	4,184
Unrealized foreign exchange gain	–	653
	681,256	681,942
Deferred tax liabilities - net	₱505,338	₱506,577

The rollforward analysis of the net deferred tax assets and liabilities of the Jollibee Group follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of period	₱2,078,868	₱1,408,489
Additions	139,624	643,506
Income tax effect of other remeasurements of net defined benefit plan	–	29,646
Translation adjustments	3,991	(2,723)
	₱2,222,483	₱2,078,918

OSD

The availment of the OSD method also affected the recognition of several deferred tax assets and liabilities. Deferred tax assets and liabilities, for which the related income and expense are not considered in determining gross income for income tax purposes, are not recognized. This is because the manner by which the Jollibee Group expects to recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result to any future tax consequence under the OSD method. Meanwhile, deferred tax assets and liabilities, for which the related income and expense are considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence under OSD method. Hence, the tax base of these deferred tax assets and liabilities is reduced by the 40% allowable deduction provided for under the OSD method.

Accordingly, the Jollibee Group's deferred tax assets and liabilities, which were not recognized due to the use of the OSD method, are as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Deferred tax assets:		
Pension liability	₱11,049	₱11,053
Allowance for impairment losses on receivables and nonfinancial assets	10,950	20,341
Operating lease payables	9,876	18,917
Provision for bonus	2,496	6,879
Unaccredited discount on financial instruments and others	575	605
Unamortized past service cost	230	261
Excess MCIT over RCIT	–	2,450
	35,176	60,506
Deferred tax liabilities:		
Operating lease receivables	4,573	4,496
Deferred rent expense	38	54
Others	558	589
	5,169	5,139
	₱30,007	₱55,367

As at March 31, 2017, NOLCO and excess of MCIT over RCIT of the Philippine-based entities that can be claimed as deductions from taxable income and income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefit up to	NOLCO	Excess of MCIT over RCIT
2017	December 31, 2020	₱212,940	₱53,641
2016	December 31, 2019	1,033,062	179,224
2015	December 31, 2018	1,042,330	167,318
2014	December 31, 2017	1,269,524	138,388
		3,557,856	538,571
Utilized during the period		(90,898)	(638)
		₱3,466,958	₱537,933

The PRC enterprise income tax law provides that income tax rates are unified at 25%. As at March 31, 2017, NOLCO of the PRC-based entities that can be claimed as deductions from taxable income are as follows:

Year Incurred	Carryforward Benefit Up to	Tax Losses	Deferred Tax at 25%
2017	December 31, 2022	₱16,091	₱4,023
2016	December 31, 2021	240,988	60,247
2015	December 31, 2020	234,393	58,598
2014	December 31, 2019	157,498	39,375
2013	December 31, 2018	145,789	36,447
2012	December 31, 2017	133,737	33,434
		928,496	232,124
Utilized during the period		(53,060)	(13,265)
		₱875,436	₱218,859

The following are the movements in deferred tax assets on NOLCO of the Jollibee Group:

	March 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of period	₱1,083,447	₱782,610
Additions	130,554	355,025
Utilized during the period	(22,355)	(51,416)
Translation adjustments	3,991	(2,772)
	₱1,195,637	₱1,083,447

The following are the movements in deferred tax assets on Excess of MCIT over RCIT of the Jollibee Group:

	March 2017 (Unaudited)	December 2016 (Audited)
Balance at beginning of period	₱484,930	₱318,340
Additions	53,641	179,224
Utilized during the period	(638)	(8,247)
Write-offs and expirations	–	(4,387)
	₱537,933	₱484,930

25. Pension Liability

Defined Benefit Plan

The Parent Company and certain Philippine-based subsidiaries have funded, independently-administered, non-contributory defined benefit pension plan covering all permanent employees. The benefits are based on the employees' projected salaries and number of years of service.

The funds are administered by trustee banks. Subject to the specific instructions provided in writing, the Parent Company and certain Philippine-based subsidiaries direct the trustee banks to hold, invest and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain cash and other short-term deposits, investments in government and corporate debt securities and quoted equity securities.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of pension expense, included under "Cost of sales" and "General and administrative expenses" accounts in the consolidated statements of comprehensive income and pension liability in the consolidated statements of financial position, which are based on actuarial valuations.

Changes in pension liability of the Jollibee Group in 2016 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2016	₱2,999,152	₱1,532,622	₱1,466,530
Pension expense:			
Current service cost	252,342	–	252,342
Net interest	151,737	77,018	74,719
Past service cost	36,720	–	36,720
	440,799	77,018	363,781
Benefits paid	(100,874)	(100,874)	–

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(62,052)	62,052
Actuarial changes arising from changes in financial assumptions	(73,382)	–	(73,382)
Actuarial changes due to experience adjustment	113,197	–	113,197
	39,815	(62,052)	101,867
Contributions	–	274,000	(274,000)
At December 31, 2016	₱3,378,892	₱1,720,714	₱1,658,178

Changes in pension liability of the Jollibee Group in 2015 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2015	₱2,329,212	₱1,496,821	₱832,391
Pension expense:			
Current service cost	244,820	–	244,820
Net interest	136,917	69,101	67,816
	381,737	69,101	312,636
Benefits paid	(85,856)	(85,856)	–
Remeasurements in other comprehensive income:			
Return on plan assets (excluding amount included in net interest)	–	(47,444)	47,444
Actuarial changes arising from changes in financial assumptions	(367,216)	–	(367,216)
Actuarial changes due to experience adjustment	741,275	–	741,275
	374,059	(47,444)	421,503
Contributions	–	100,000	(100,000)
At December 31, 2015	₱2,999,152	₱1,532,622	₱1,466,530

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The following table presents the carrying amounts, which approximate the estimated fair values, of the assets of the plan:

	March 2017 (Unaudited)	December 2016 (Audited)
Cash and cash equivalents	₱209,895	₱369,024
Investments in government and corporate debt securities	1,124,946	1,075,581
Investments in quoted equity securities:		
Holding firms	185,749	142,308
Property	91,011	73,507
Banks	90,108	53,375
Food, beverage and tobacco	57,607	55,749
Electricity, energy, power and water	35,598	27,107
Telecommunications	25,276	17,038
Others	25,472	12,359
Interest and dividends receivable	21,978	17,545
Fund liabilities	(124,365)	(122,879)
	₱1,743,275	₱1,720,714

The plan assets consist of the following:

- Investments in government securities which consist of retail treasury bonds that bear interest ranging from 3.24%-7.38% and have maturities from August 2020 to October 2037 and fixed-rate treasury notes that bear interest ranging from 2.88%-11.70% and have maturities from March 2017 to October 2037.
- Investments in equity securities consist of investments in listed equity securities, including equity securities of the Parent Company, for certain retirement plans of the Jollibee Group (see Note 27).
- Investments in debt securities consist of long-term corporate bonds in the power sector, which bear interest ranging from 6.30%-7.75% maturing in April 2017.
- Other financial assets held by the retirement plan are primarily accrued interest income on cash and cash equivalents, debt instruments and other securities.

Pension expense as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension expense and liability for the defined benefit plans are shown below:

	December 31, 2016	December 31, 2015	January 1, 2015
Discount rate	5.20%–5.70%	5.00%–5.10%	4.60%–4.70%
Salary increase rate	6.00%	6.00%	7.00%

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

	December 31, 2016	
	Increase (Decrease)	Philippine Plan
Discount rates	+0.50 % -0.50 %	(P156,602) 169,836
Future salary increases	+0.50% -0.50%	P167,757 (156,240)

	December 31, 2015	
	Increase (Decrease)	Philippine Plan
Discount rates	+0.50 % -0.50 %	(P144,519) 156,999
Future salary increases	+0.50% -0.50%	P154,738 (143,898)

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2016	2015
Less than 1 year	P492,012	P424,285
More than 1 year to 5 years	1,036,202	904,330
More than 5 years to 10 years	1,996,378	1,687,578
More than 10 years to 15 years	2,301,591	2,066,461
More than 15 years to 20 years	2,451,602	2,136,735
More than 20 years	7,615,074	6,678,572

The Parent Company and certain Philippine-based subsidiaries do not have a formal asset-liability matching strategy. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trustee banks, in compliance with the Bangko Sentral ng Pilipinas requirements. Nevertheless, the Parent Company and certain Philippine-based subsidiaries ensure that there will be sufficient assets to pay the retirement benefits as they fall due while attempting to mitigate the various risks of the plan.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk. Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the trustee banks maintain assets in cash and short-term deposits. Price risk pertains mainly to fluctuation in market prices of the retirement funds' marketable securities. In order to effectively manage price risk, the trustee banks continuously assess these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The Parent Company and certain Philippine-based subsidiaries expect to contribute P555.0 million to the defined benefit pension plans in 2017.

The average duration of the defined benefit obligation is 10 years as at December 31, 2016 and 2015.

Defined Contribution Plan

The employees of the PRC-domiciled and USA-based subsidiaries of the Jollibee Group are members of a state-managed pension benefit scheme operated by the national governments. These subsidiaries are required to contribute a specified percentage of their payroll costs to the pension benefit scheme to fund the benefits. The only obligation of these subsidiaries with respect to the pension benefit scheme is to make the specified contributions.

Pension expense under the defined contribution plan amounted to ₱142.9 million and ₱144.9 million for the periods ended March 31, 2017 and 2016, respectively.

26. Stock Options Plan

Senior Management Stock Option and Incentive Plan

On December 17, 2002, the SEC approved the exemption requested by the Jollibee Group on the registration requirements of the 101,500,000 options underlying the Parent Company's common shares to be issued pursuant to the Jollibee Group's Senior Management Stock Option and Incentive Plan (the Plan). The Plan covers selected key members of management of the Jollibee Group.

The Plan is divided into two programs, namely, the Management Stock Option Program (MSOP) and the Executive Long-term Incentive Program (ELTIP). The MSOP provides a yearly stock option grant program based on company and individual performance while the ELTIP provides stock ownership as an incentive to reinforce entrepreneurial and long-term ownership behavior of executive participants.

MSOP. The MSOP is a yearly stock option grant program open to members of the senior management committee of the Jollibee Group and members of the management committee, key talents and designated consultants of some of the business units.

Each MSOP cycle refers to the period commencing on the MSOP grant date and ending on the last day of the MSOP exercise period. Vesting is conditional on the employment of the employee-participants in the Jollibee Group within the vesting period. The options will vest at the rate of one-third of the total options granted on each anniversary of the MSOP grant date until the third anniversary.

The exercise price of the stock options is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of grant for the 1st up to the 7th MSOP cycle. Starting with the 8th MSOP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the market closing price at date of grant.

For instance, on July 1, 2004, the Compensation Committee of the Jollibee Group granted 2,385,000 options under the 1st MSOP cycle to eligible participants. The options will vest at the rate of one-third of the total options granted from the start of the grant date on each anniversary date which will start after a year from the grant date. One-third of the options granted, or 795,000 options, vested and exercised starting July 1, 2005. The options expired on June 30, 2012. From July 1, 2005 to 2016, the Compensation Committee granted series of MSOP grants under the 2nd to 13th MSOP cycle to eligible participants.

On September 9, 2016 the Compensation Committee granted 2,865,500 options under the 13th MSOP cycle to eligible participants. These options are similar to the 1st MSOP cycle. The 2nd, 3rd 4th and 5th MSOP cycles expired on June 30, 2013, 2014, 2015 and 2016, respectively.

The movements in the number of stock options outstanding and related weighted average exercise prices (WAEP) are as follows:

	March 2017 (Unaudited)		December 2016 (Audited)		December 2015 (Audited)	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options granted as at end of period	42,986,294	₱92.47	42,986,294	₱92.47	40,120,794	₱82.22
Outstanding at beginning of period	15,256,198	₱159.46	14,868,437	₱133.32	13,609,275	₱117.51
Options granted during the period	—	—	2,865,500	236.00	3,257,600	179.99
Options exercised during the period	(252,699)	84.36	(2,259,125)	87.40	(1,380,628)	100.42
Options forfeited during the period	—	—	(218,614)	129.31	(617,810)	104.73
Outstanding at end of period	15,003,499	₱160.73	15,256,198	₱159.46	14,868,437	₱133.32
Exercisable at end of period	8,889,266	₱129.45	9,141,965	₱128.20	8,262,670	₱100.95

The weighted average share price of the Parent Company common shares is ₱201.36, ₱227.53 and ₱206.05 in 2017, 2016 and 2015, respectively. The weighted average remaining contractual life for the stock options outstanding as at December 31, 2016, 2015 and 2014 is 5.17 years, 5.19 years and 5.83 years, respectively.

The weighted average fair value of stock options granted in 2016, 2015 and 2014 is ₱31.16, ₱26.13 and ₱32.39, respectively. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account, the terms and conditions upon which the options were granted. The option style used for this plan is the American style because the option plan allows exercise before the expiry date.

The inputs in the valuation of the options granted on the dates of grant for each MSOP cycle are shown below:

MSOP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5-7 years	₱24.00	₱20.00
2 nd	2005	1.72%	36.91%	6.20%	5-7 years	29.00	27.50
3 rd	2006	1.72%	36.91%	6.20%	5-7 years	35.00	32.32
4 th	2007	1.70%	28.06%	6.41%	3-4 years	52.50	50.77
5 th	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
6 th	2009	2.00%	30.37%	5.28%	3-4 years	48.00	45.45
7 th	2010	2.00%	29.72%	5.25%	3-4 years	70.00	57.77
8 th	2011	2.00%	34.53%	4.18%	3-4 years	89.90	89.90
9 th	2012	2.00%	28.72%	3.50%	3-4 years	107.90	107.90
10 th	2013	2.00%	29.38%	2.68%	3-4 years	145.00	145.00
11 th	2014	2.00%	24.87%	2.64%	3-4 years	179.80	179.80
12 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00
13 th	2016	2.00%	17.76%	2.63%	3-4 years	236.00	236.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

ELTIP. The ELTIP entitlement is given to members of the senior management committee and designated consultants of the Jollibee Group.

Each ELTIP cycle refers to the period commencing on the ELTIP entitlement date and ending on the last day of the ELTIP exercise period. Actual grant and vesting is conditional upon achievement of the Jollibee Group's medium to long-term goals and individual targets in a given period, and the employment of the employee-participants in the Jollibee Group within the vesting period. If the goals are achieved, the options will be granted. For the 3rd ELTIP cycle, a percentage of the options to be granted are based on the percentage of growth in annual earnings per share such that 100%, 50% or 25% of the options granted when percentage of growth in annual earnings per share are 12% and above, 10% to less than 12% or 8% to less than 10%, respectively. For the 4th ELTIP cycle, the percentage of the options to be granted and the targeted percentage of growth in annual earnings per share have been further revised such that 150%, 100% or 50% of the options granted when percentage of growth in annual earnings per share are 15% and above, 12% to less than 15% or 10% to less than 12%, respectively.

The exercise price of the stock options under ELTIP is determined by the Jollibee Group with reference to prevailing market prices over the three months immediately preceding the date of entitlement for the first and second ELTIP cycles. Starting with the 3rd ELTIP cycle, the exercise price of the option is determined by the Jollibee Group with reference to the closing market price as of the date of entitlement.

The options will vest at the rate of one-third of the total options granted on each anniversary date which will start after the goals were achieved. For instance, on July 1, 2004, the Compensation Committee gave an entitlement of 22,750,000 options under the 1st ELTIP cycle to eligible participants. One-third of the options granted, or 7,583,333 options, vested and exercised starting July 1, 2007. The options expired on June 30, 2012. On July 1, 2008, October 19, 2012 and August 25, 2015, entitlement to 20,399,999, 24,350,000 and 11,470,000 options were given to eligible participants under the 2nd, 3rd and 4th ELTIP cycles, respectively.

The Jollibee Group does not pay cash as a form of settlement.

The movements in the number of stock options outstanding for the 2nd to 4th ELTIP cycles and related WAEP for the period ended March 31, 2017, years ended December 31, 2016 and 2015 follow:

	March 2017 (Unaudited)		December 2016 (Audited)		December 2015 (Audited)	
	Number of Options	WAEP	Number of Options	WAEP	Number of Options	WAEP
Total options given as at end of period	78,969,999	₱74.58	78,969,999	₱74.58	78,969,999	₱74.58
Outstanding at beginning of period	35,118,896	₱122.65	38,344,999	₱117.74	31,270,560	₱90.06
Options granted during the period	—	—	—	—	11,470,000	180.00
Options exercised during the period	(1,492,230)	83.51	(2,892,770)	59.59	(3,728,468)	79.46
Options forfeited during the period	—	—	(333,333)	105.00	(667,093)	105.00
Outstanding at end of period	33,626,666	₱124.38	35,118,896	₱122.65	38,344,999	₱117.74
Exercisable at end of period	14,123,190	₱90.24	15,615,420	₱89.60	10,808,048	₱70.59

The weighted average remaining contractual life for the stock options outstanding as of 2016, 2015 and 2014 is 4.00 years, 4.85 years and 4.85 years, respectively.

The fair value of stock options granted is ₱26.13 in 2015 and ₱22.96 in 2014. There were no additional stock option grants under ELTIP in 2016. The fair value of share options as at the date of grant is estimated using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The option style used for this plan is the

American style because this option plan allows exercise before the maturity date. The stock options granted under the 2nd, 3rd and 4th ELTIP cycles will expire on April 30, 2017, 2020 and 2023, respectively.

The inputs to the model used for the options granted on the dates of grant for each ELTIP cycle are shown below:

ELTIP Cycle	Year of Grant	Dividend Yield	Expected Volatility	Risk-free Interest Rate	Expected Life of the Option	Stock Price on Grant Date	Exercise Price
1 st	2004	1.72%	36.91%	6.20%	5 years	₱24.00	₱20.00
2 nd	2008	1.80%	26.79%	8.38%	3-4 years	34.00	39.85
3 rd	2012	2.00%	28.74%	3.60%	3-4 years	105.00	105.00
4 th	2015	2.00%	18.94%	2.98%	3-4 years	180.00	180.00

The expected life of the stock options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The cost of the stock options expense charged to operations for both MSOP and ELTIP in the “General and administrative expenses” account amounted to ₱56.9 million and ₱58.5 million for the periods ended March 31, 2017 and 2016, respectively (see Note 22). Correspondingly, a credit was made to additional paid-in-capital.

27. Related Party Transactions

The Jollibee Group has transactions with related parties. Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Jollibee Group, including holding companies, subsidiaries and fellow subsidiaries are related entities of the Jollibee Group. Individuals owning, directly or indirectly, an interest in the voting power of the Jollibee Group that give them significant influence over the enterprise; key management personnel, including directors and officers of the Jollibee Group, and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

Compensation of Key Management Personnel of the Jollibee Group

The aggregate compensation and benefits to key management personnel of the Jollibee Group in 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Salaries and short-term benefits	₱1,001,048	₱798,882	₱687,550
Stock options expense	241,324	173,212	166,491
Net pension expense	59,701	47,584	59,134
Employee car plan and other long-term benefits	47,673	42,803	41,336
	<u>₱1,349,746</u>	<u>₱1,062,481</u>	<u>₱954,511</u>

Transactions with the Retirement Plans

As at March 31, 2017 and December 31, 2016, certain retirement funds of the Jollibee Group include investment in equity securities of the Parent Company with details as follows:

	March 2017 (Unaudited)	December 2016 (Audited)
Number of shares	200,150	193,860
Market value	₱39,530	₱37,415
Cost	10,725	9,187
Unrealized gain	₱28,805	₱28,228

The Jollibee Group's receivable from retirement fund amounted to ₱120.7 million and ₱119.7 million as at March 31, 2017 and December 31, 2016, respectively. The receivable arose from benefit payments made by the Jollibee Group for and in behalf of the retirement plan. The receivable is noninterest-bearing.

Transactions with a Joint Venture

As at March 31, 2017 and December 31, 2016, the Jollibee Group has outstanding advances to SuperFoods Group. The terms of these advances are disclosed in Note 11.

Terms and Conditions of Transactions with other Related Parties

Transactions with related parties are made at market prices and are normally settled in cash. Other related party transactions between entities under the Jollibee Group are eliminated in the consolidation process.

28. Earnings Per Share

Basic and diluted EPS are computed as follows:

	March 2017 (Unaudited)	March 2016 (Unaudited)
<i>(In Thousand pesos, except for EPS)</i>		
(a) Net income attributable to the equity holders of the Parent Company	₱1,533,245	₱1,398,488
(b) Weighted average number of shares - basic	1,075,241,892	1,070,190,336
Weighted average number of shares outstanding under the stock options plan	38,517,167	52,736,708
Weighted average number of shares that would have been purchased at fair market value	(23,516,327)	(28,773,274)
(c) Adjusted weighted average shares - diluted	1,090,242,732	1,094,153,770
EPS:		
Basic (a/b)	₱1.426	₱1.307
Diluted (a/c)	1.406	1.278

Potential common shares for stock options under the 13th MSOP cycle were not included in the calculation of the diluted EPS in 2016 because they are antidilutive. Contingently issuable shares for stock options under the 4th ELTIP cycle have not been included in the calculation of the diluted EPS for the periods ended March 31, 2017 and December 31, 2016.

29. Commitments and Contingencies

a. Operating lease commitments - Jollibee Group as lessee

The Jollibee Group has various operating lease commitments for quick service restaurant outlets and offices. The noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Some of the leases contain escalation clauses. The lease contracts on certain sales outlets provide for the payment of additional rentals based on certain percentages of sales of the outlets. Contingent rent expense amounted to ₱455.6 million and ₱368.7 million for the periods ended March 31, 2017 and 2016, respectively (see Notes 21 and 22).

The future minimum lease payments for the noncancellable periods of the operating leases follow:

	2016	2015	2014
Within one year	₱1,546,661	₱1,532,583	₱1,669,686
After one year but not more than five years	5,916,716	5,581,731	6,449,433
More than five years	8,093,585	6,443,631	4,897,338
	₱15,556,962	₱13,557,945	₱13,016,457

Rent expense recognized on a straight-line basis amounted to ₱1,814.8 million and ₱1,632.5 million for the periods ended March 31, 2017 and 2016, respectively (see Notes 21 and 22). The difference of rent expense recognized under the straight-line method and the rent amounts due in accordance with the terms of the lease agreements are charged to "Operating lease payables" account which amounted to ₱17.8 million and ₱8.4 million for the periods ended March 31, 2017 and 2016, respectively.

b. Operating lease commitments - Jollibee Group as lessor

The Jollibee Group entered into commercial property leases for its investment property units and various sublease agreements. Noncancellable periods of the leases range from 3 to 20 years, mostly containing renewal options. Leases generally include a clause to enable upward revision of the rent charges on an annual basis based on prevailing market conditions.

The future minimum lease payments for the noncancellable periods of the operating leases, wherein Jollibee Group is the lessor, follow:

	2016	2015	2014
Within one year	₱142,011	₱63,359	₱55,256
After one year but not more than five years	393,154	244,123	199,538
More than five years	184,930	598,950	432,616
	₱720,095	₱906,432	₱687,410

Rent income recognized on a straight-line basis amounted to ₱13.0 million and ₱21.9 million for the periods ended March 31, 2017 and 2016, respectively (see Note 20). The difference of rent income recognized under the straight-line method and the rent amounts in accordance with the terms of the lease are included under “Operating lease receivables” which amounted to ₱1.2 million and ₱1.3 million as at March 31, 2017 and 2016, respectively.

c. Contingencies

The Jollibee Group is involved in litigations, claims and disputes which are normal to its business. Management believes that the ultimate liability, if any, with respect to these litigations, claims and disputes will not materially affect the financial position and financial performance of the Jollibee Group. Thus, other than the provisions in Note 17, there were no other provisions made for contingencies.

The Jollibee group does not provide further information on these provisions and contingencies in order not to impair the outcome of the litigations, claims and disputes.

30. Financial Risk Management Objectives and Policies

The Jollibee Group is exposed to a variety of financial risks from its operating, investing and financing activities. The Jollibee Group’s risk management policies focus on actively securing the Jollibee Group’s short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Jollibee Group’s principal financial instruments comprise of cash and cash equivalents, short-term investments and receivables. The main purpose of these financial instruments is to obtain financing for the Jollibee Group’s operations. The Jollibee Group has other financial assets and liabilities such as other noncurrent assets and trade payables and other current liabilities which arise directly from its operations.

The main risks arising from these financial instruments are equity price risk, interest rate risk, foreign currency risk, credit risk and liquidity risk. The policies for managing each of these risks are summarized as follows:

Interest Rate Risk

Interest rate risk arises from the possibility that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Jollibee Group’s exposure to interest rate risk relates primarily to long-term debt with floating interest rates. Floating rate financial instruments are subject to cash flow interest rate risk. The Jollibee Group’s interest rate exposure management policy centers on reducing the Company’s overall interest expense and exposure to changes in the interest rates.

To manage the interest rate risk related to the Jollibee Group’s long-term debt, the Jollibee Group used a derivative instrument to fix the interest rate over the term of two of its long-term debts (see Note 18). With the Jollibee Group’s Corporate Planning team, it enters into loan contracts with variable interest rates and option to fix interest rates which can be availed to manage its loan risks.

There is minimal exposure on the other sources of the Jollibee Group’s interest rate risk. These other sources are from the Jollibee Group’s cash in bank, short-term deposits and short-term investments.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's equity as at December 31, 2016 and 2015. The impact on the Company's equity is due to changes in the fair value of floating interest rates.

Long-term Debt with Floating Interest Rates

	Increase/ Decrease in Basis Points	Effect in Profit or Loss Before Income Tax
2016		
USD	+100	(87,706)
	-100	87,706
PHP	+100	(33,848)
	-100	33,848
2015		
USD	+100	(72,661)
	-100	72,661
PHP	+100	(24,526)
	-100	24,526

Foreign Currency Risk

The Jollibee Group's exposure to foreign currency risk arises from the Parent Company's investments outside the Philippines, which are mainly in PRC and USA. The net assets of foreign businesses account for only 6.38% and 5.74% of the consolidated net assets of the Jollibee Group as at March 31, 2017 and December 31, 2016, respectively, and the businesses have been rapidly growing.

The Jollibee Group also has transactional foreign currency exposures. Such exposure arises from the Jollibee Group's Philippine operations' cash and cash equivalents and receivables in foreign currencies.

The following table shows the Jollibee Group's Philippine operations' foreign currency-denominated monetary assets and their peso equivalents as at March 31, 2017 and December 31, 2016:

	March 2017 (Unaudited)			December 2016 (Audited)		
	USD	RMB	PHP Equivalent	USD	RMB	PHP Equivalent
Assets						
Cash and cash equivalents	298	6	15,009	687	8	34,185
Receivables	6,831	-	342,629	4,991	-	248,164
Total exposure	7,129	6	357,638	5,678	8	282,349

Foreign Currency Risk Sensitivity Analysis

The Jollibee Group has recognized in profit or loss, foreign currency exchange gains (losses), included under “Other income” account, which amounted to a net foreign exchange loss of ₱24.1 million and ₱29.2 million for the periods ended March 31, 2017 and 2016, respectively (see Note 23). This resulted from the movements of the Philippine peso against the USD and RMB as shown in the following table:

	Peso to	
	USD	RMB
March 31, 2017	50.19	7.29
March 31, 2016	46.07	7.13

The following table demonstrates the sensitivity to a reasonably possible change in USD and RMB to Philippine peso exchange rate, with all other variables held constant, of the Jollibee Group’s income before income tax (due to changes in the fair value of monetary assets and liabilities) as at March 31, 2017 and December 31, 2016:

Appreciation (Depreciation) of ₱ against Foreign Currency	March 2017 (Unaudited)		December 2016 (Audited)	
	Effect on Income before Income Tax	Effect on Equity before Income Tax	Effect on Income before Income Tax	Effect on Equity before Income Tax
USD				
₱1.50	(₱10,694)	(₱10,694)	(₱8,517)	(₱8,517)
(1.50)	10,694	10,694	8,517	8,517
1.00	(7,129)	(7,129)	(5,678)	(5,678)
(1.00)	7,129	7,129	5,678	5,678
RMB				
0.95	(5.7)	(5.7)	(7.6)	(7.6)
(0.95)	5.7	5.7	7.6	7.6
0.63	(3.8)	(3.8)	(5.0)	(5.0)
(0.63)	3.8	3.8	5.0	5.0

Equity Price Risk

The Jollibee Group is not exposed to significant equity price risk on its investment in quoted equity securities consisting of investment in club shares.

Credit Risk

Credit risk is the risk that a customer or counterparty fails to fulfill its contractual obligations to the Jollibee Group. This includes risk of non-payment by borrowers, failed settlement of transactions and default on outstanding contracts.

The Jollibee Group has a strict credit policy. Its credit transactions are with franchisees and customers that have gone through rigorous screening before granting them the franchise. The credit terms are very short, while deposits and advance payments are also required before rendering the service or delivering the goods, thus, mitigating the possibility of non-collection. In cases of non-collection, defaults of the debtors are not tolerated; the exposure is contained the moment a default occurs and transactions that will further increase the exposure of the Jollibee Group are discontinued.

The Jollibee Group has no significant concentration of credit risk with counterparty. The Jollibee Group's franchisee profile is such that no single franchisee accounts for more than 5% of the total system wide sales of the Jollibee Group.

The aging analysis of loans and receivables as at March 31, 2017 and December 31, 2016 are as follows:

March 2017 (Unaudited)							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
(In Millions)							
Cash and cash equivalents*	₱13,290.4	₱13,290.4	₱—	₱—	₱—	₱—	₱—
Short-term investments	2,508.2	2,508.2	—	—	—	—	—
Receivables:							
Trade	2,880.5	1,350.2	429.8	107.0	162.2	268.6	562.7
Employee car plan receivables**	229.5	220.1	1.4	0.8	0.9	6.3	—
Advances to employees	75.8	75.8	—	—	—	—	—
Other receivables***	134.3	126.6	1.5	0.7	—	5.5	—
Other noncurrent assets:							
Security and other deposits	2,156.0	2,156.0	—	—	—	—	—
Operating lease receivables	26.0	26.0	—	—	—	—	—
	21,300.7	19,753.3	432.7	108.5	163.1	280.4	562.7
AFS Financial Assets	26.2	26.2	—	—	—	—	—
	₱21,326.9	19,779.5	432.7	108.5	163.1	₱280.4	₱562.7

December 2016 (Audited)							
	Total	Neither Past Due nor Impaired	Past Due but not Impaired (Age in Days)				Impaired
			1-30	31-60	61-120	Over 120	
(In Millions)							
Cash and cash equivalents*	₱16,437.6	₱16,437.6	₱—	₱—	₱—	₱—	₱—
Short-term investments	726.0	726.0	—	—	—	—	—
Receivables:							
Trade	3,608.6	1,777.6	448.6	77.4	78.9	646.3	579.8
Employee car plan receivables**	214.0	205.2	1.3	0.7	0.9	5.9	—
Advances to employees	112.7	112.7	—	—	—	—	—
Other receivables***	132.8	125.2	1.5	0.7	—	5.4	—
Other noncurrent assets:							
Security and other deposits	2,103.7	2,103.7	—	—	—	—	—
Operating lease receivables	26.0	26.0	—	—	—	—	—
	23,361.4	21,514	451.4	78.8	79.8	657.6	579.8
AFS Financial Assets	26.2	26.2	—	—	—	—	—
	₱23,387.6	₱21,540.2	₱451.4	₱78.8	₱79.8	₱657.6	₱579.8

*Excluding cash on hand amounting to ₱328.5 million and ₱295.7 million in 2017 and 2016, respectively.

**Including noncurrent portion of employee car plan receivables.

***Excluding receivables from government agencies amounting to ₱20.6 million and ₱19.1 million in 2017 and 2016, respectively.

Credit Risk Exposure. The tables below show the maximum exposure to credit risk of the Jollibee Group as at December 31, 2016 and 2015 without considering the effects of collaterals and other credit risk mitigation techniques:

2016			
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)
<i>(In Millions)</i>			
Financial Assets			
Cash and cash equivalents*	₱16,437.6	₱236.8	₱16,200.8**
Short-term investments	726.0	—	726.0
Receivables:			
Trade	3,028.8	81.7	2,947.1***
Employee car plan receivables	214.0	—	214.0
Advances to employees	112.7	—	112.7
Other receivables****	132.8	—	132.8
Other noncurrent assets:			
Security and other deposits	2,103.7	—	2,103.7
Operating lease receivables	26.0	—	26.0
AFS financial asset	26.2	—	26.2
	₱22,807.8	₱318.5	₱22,489.3
2015			
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) - (b)
<i>(In Millions)</i>			
Financial Assets			
Cash and cash equivalents*	₱11,204.8	₱223.3	₱10,981.5**
Short-term investments	922.3	—	922.3
Receivables:			
Trade	5,055.1	137.7	4,917.4***
Employee car plan receivables	197.6	—	197.6
Advances to employees	154.7	—	154.7
Other receivables****	145.2	—	145.2
Other noncurrent assets:			
Security and other deposits	1,795.0	—	1,795.0
Operating lease receivables	12.5	—	12.5
AFS financial asset	21.5	—	21.5
	₱19,508.7	₱361.0	₱19,147.7

* Excluding cash on hand amounting to ₱295.7 million and ₱292.8 million in 2016 and 2015, respectively.

** Gross financial assets after taking into account insurance bank deposits for cash and cash equivalents.

*** Gross financial assets after taking into account payables to the same counterparty.

**** Excluding receivables from government agencies amounting to ₱19.1 million and ₱10.3 million in 2016 and 2015, respectively.

With respect to credit risk arising from financial assets of the Jollibee Group, the Jollibee Group's exposure to credit risk arises from default of the counterparty, with a gross maximum exposure equal to the carrying amount of these instruments.

Credit Quality. The tables below show the credit quality by class of financial assets that are neither past due nor impaired, based on the Jollibee Group's credit rating system as at March 31, 2017 and December 31, 2016.

	March 2017 (Unaudited)				
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
(In Millions)					
Receivables					
Trade	₱2,880.5	₱565.5	₱719.1	₱65.6	₱1,530.3
Employee car plan receivables*	229.5	220.1	—	—	9.4
Advances to employees	75.8	75.8	—	—	—
Other receivables**	134.3	126.6	—	—	7.7
AFS financial asset	26.2	26.2	—	—	—
	₱3,346.3	₱1,014.2	₱719.1	₱65.6	₱1,547.4

	December 2016 (Audited)				
	Total	Neither Past Due nor Impaired			Past Due or Impaired
		A	B	C	
	(In Millions)				
Receivables					
Trade	₹3,608.6	₹744.5	₹946.7	₹86.4	₹1,831.0
Employee car plan receivables*	214.0	205.2	—	—	8.8
Advances to employees	112.7	112.7	—	—	—
Other receivables**	132.8	125.2	—	—	7.6
AFS financial asset	26.2	26.2	—	—	—
	₹4,094.3	₹1,213.8	₹946.7	₹86.4	₹1,847.4

*Including noncurrent portion of employee car plan receivables.

**Excluding receivables from government agencies amounting to P20.6 million and P19.1 million in 2017 and 2016, respectively.

The credit quality of financial assets is managed by the Jollibee Group using internal credit ratings, as shown below:

- A - For counterparty that is not expected by the Jollibee Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes financial institutions, certain related parties and customers who pay on or before due date.
- B - For counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Jollibee Group. The delays may be due to cut-off differences and/or clarifications on contracts/billings.
- C - For counterparty who consistently defaults in settling its obligations, but with continuing business transactions with the Jollibee Group, and may be or actually referred to legal and/or subjected to cash before delivery (CBD) scheme. Under this scheme, the customer's credit line is suspended and all subsequent orders are paid in cash before delivery. The CBD status will only be lifted upon full settlement of the receivables and approval by management. Thereafter, the regular credit term and normal billing and collection processes will resume.

Liquidity Risk

The Jollibee Group's exposure to liquidity risk refers to the risk that its financial liabilities are not serviced in a timely manner and that its working capital requirements and planned capital expenditures are not met. To manage this exposure and to ensure sufficient liquidity levels, the Jollibee Group closely monitors its cash flows to be able to finance its capital expenditures and to pay its obligations as and when they fall due.

On a weekly basis, the Jollibee Group's Cash and Banking Team monitors its collections, expenditures and any excess/deficiency in the working capital requirements, by preparing cash position reports that present actual and projected cash flows for the subsequent week. Cash outflows resulting from major expenditures are planned so that money market placements are available in time with the planned major expenditure. In addition, the Jollibee Group has short-term cash deposits and has available credit lines with accredited banking institutions, in case there is a sudden deficiency. The Jollibee Group maintains a level of cash and cash equivalents deemed sufficient to finance the operations. No changes were made in the objectives, policies or processes of the Jollibee Group during the period ended March 31, 2017 and year ended December 31, 2016.

The Jollibee Group's financial assets, which have maturity of less than 12 months and are used to meet its short-term liquidity needs, are cash and cash equivalents, short-term investments and trade receivables amounting to ₱13,618.9 million, ₱2,508.2 million and ₱2,317.8 million, respectively, as at March 31, 2017 and ₱16,733.3 million, ₱726.0 million and ₱3,028.8 million, respectively, as at December 31, 2016.

The tables below summarize the maturity profile of the Jollibee Group's financial liabilities based on the contractual undiscounted cash flows as at March 31, 2017 and December 31, 2016:

	March 2017 (Unaudited)				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	(In Millions)				
Financial Liabilities					
Trade payables and other current liabilities*	₱—	₱18,039.3	₱—	₱—	₱18,039.3
Long-term debt (including current portion)	—	1,221.5	7,417.6	3,246.6	11,885.7
Operating lease payables	—	615.8	535.1	680.3	1,831.2
Total Financial Liabilities	₱—	₱19,876.6	₱7,952.7	₱3,926.9	₱31,756.2

	December 2016 (Audited)				
	Due and Demandable	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	(In Millions)				
Financial Liabilities					
Trade payables and other current liabilities*	₱—	₱20,099.0	₱—	₱—	₱20,099.0
Long-term debt (including current portion)	—	1,562.1	4,639.7	5,953.6	12,155.4
Operating lease payables	—	602.9	523.9	666.0	1,792.8
Total Financial Liabilities	₱—	₱22,264.0	₱5,163.6	₱6,619.6	34,047.2

*Excluding statutory obligations such as accrued local and other taxes, PHIC, SSS, HDMF and NHMFC payables and unearned revenue from gift certificates.

Capital Management Policy

Capital includes equity attributable to equity holders of the Parent Company.

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

The Jollibee Group generates cash flows from operations sufficient to finance its organic growth. It declares cash dividends representing at least one-third of its consolidated net income, a ratio that would still leave some additional cash for future expansion. If needed, the Jollibee Group would borrow money for acquisitions of new businesses.

As at March 31, 2017 and December 31, 2016, the Jollibee Group's debt ratio and net debt ratio are as follows:

<i>Debt Ratio</i>	March 2017 (Unaudited)	December 2016 (Audited)
Total debt (a)	₱35,769,009	₱38,446,948
Total equity attributable to equity holders of the Parent Company	35,441,109	33,602,216
Total debt and equity attributable to equity holders of the Parent Company (b)	₱71,210,118	₱72,049,164
Debt ratio (a/b)	50%	53%

<i>Net Debt Ratio</i>	March 2017 (Unaudited)	December 2016 (Audited)
Total debt	₱35,769,009	₱38,446,948
Less cash and cash equivalents and short-term investments	16,127,022	17,459,348
Net debt (a)	19,641,987	20,987,600
Total equity attributable to equity holders of the Parent Company	35,441,109	33,602,216
Net debt and equity attributable to equity holders of the Parent Company (b)	₱55,083,096	₱54,589,816
Net debt ratio (a/b)	36%	38%

31. Fair Value of Financial Assets and Liabilities

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 measurement date.

Financial Instruments Whose Carrying Amounts Approximate Fair Value. Management has determined that the carrying amounts of cash and cash equivalents, short-term investments, receivables, operating lease receivables, trade payables and other current liabilities and operating lease payables, based on their notional amounts, reasonably approximate their fair values because of their short-term nature or due to the immaterial effect of discounting when the present value of future cash flows from these instruments are calculated.

AFS Financial Assets. The fair value of investments in quoted shares of stock is based on quoted prices. The Jollibee Group does not have the intention to dispose these financial assets in the near term.

Investment Properties. The fair value of the investment properties are determined by independent appraisers using the market data and cost approach, which considers the local market conditions, the extent, character and utility of the property, sales and holding prices of similar parcels of land and the highest and best use of the investment properties.

Security and Other Deposits, Employee Car Plan Receivables, Long-term Debt and Derivative Asset or Liability. Management has determined that the estimated fair value of security and other deposits, noncurrent portion of employee car plan receivables, long-term debt and derivative assets or liability are based on the discounted value of future cash flows using applicable rates as follows:

	2016	2015
Security and other deposits	2.45%-5.38%	2.37%-7.25%
Employee car plan receivables	1.89%-4.74%	2.14%-6.55%
Derivative assets	2.08%-4.09%	0.81%-2.78%
Long-term debt	2.45%-4.74%	3.43%-3.71%
Derivative liability	0.95%-1.05%	0.96%-1.00%

The following tables provide the fair value measurement hierarchy of the Jollibee Group's recurring financial assets and liabilities.

Quantitative disclosure fair value measurement hierarchy for assets as at December 31, 2016:

	Carrying Value	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	₱26,212	₱26,212	₱—	₱26,212	₱—
Derivative asset – cross currency swap	—	—	—	—	—
Derivative asset – put/call rights	78,329	78,329	—	—	78,329
Assets for which fair values are disclosed:					
Investment properties:					
Land	983,428	2,088,764	—	2,088,764	—
Buildings	983,428	1,876,625	—	1,876,625	—
Other noncurrent assets:					
Security and other deposits	—	212,139	—	212,139	—
Security and other deposits	2,103,707	1,877,227	—	1,877,227	—
Employee car plan receivables	130,584	196,224	—	196,224	—

Quantitative fair value measurement hierarchy for assets as at December 31, 2015:

	Carrying Value	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:					
Available-for-sale financial assets					
Quoted equity shares - club shares	₱21,462	₱21,462	₱—	₱21,462	₱—
Derivative asset – cross currency swap	9,868	9,868	—	9,868	—
Derivative asset – put/call rights	75,031	75,031	—	—	75,031
Assets for which fair values are disclosed:					
Investment properties:					
Land	998,113	1,414,303	—	1,414,303	—
Buildings	983,428	1,311,229	—	1,311,229	—
Other noncurrent assets:					
Security and other deposits	14,686	103,074	—	103,074	—
Security and other deposits	1,794,989	1,894,451	—	1,894,451	—
Employee car plan receivables	130,156	138,223	—	138,223	—

Quantitative fair value measurement hierarchy for liabilities as at December 31, 2016:

	Date of Valuation	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Derivative liability	December 31, 2016	₱33,531	₱–	₱33,531	₱–
Liabilities disclosed at fair value:					
Product Security Deposit	December 31, 2016	171,782	–	171,782	–
Tenants' Deposit	December 31, 2016	12,781	–	12,781	–
Long-term debt	December 31, 2016	12,750,225	–	12,750,225	–

Quantitative disclosure fair value measurement hierarchy for liabilities as at December 31, 2015:

	Date of Valuation	Total	Fair Value Measurement Using		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities measured at fair value:					
Derivative liability	December 31, 2015	₱34,921	₱–	₱34,921	₱–
Contingent consideration	December 31, 2015	23,636	–	–	23,636
Liabilities disclosed at fair value:					
Long-term debt	December 31, 2015	10,558,419	–	10,558,419	–

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 during the year.

Description of significant unobservable input to the measurement of the derivative asset – put/call rights as at December 31, 2016 is as follows:

	Valuation Technique	Significant Unobservable Input	Range of Input	Sensitivity of the Input to Fair Value
Derivative asset – put/call rights	Discounted cash flow method	Long-term growth rate used to calculate equity value	6.0% to 7.0%	Increase (decrease) in the long-term rate would increase (decrease) the fair value.

32. Events after the Reporting Period

Dividend Declaration

Parent Company. On April 5, 2017, the BOD approved a regular cash dividend of ₱1.00 per share of common stock to all stockholders of record as at April 21, 2017. Consequently, the cash dividend is expected to be paid out by May 5, 2017. The cash dividend is 16.3% higher than the ₱0.86 regular dividend per share declared on April 6, 2016.

Loan to SuperFoods

JWPL. On April 5, 2017, the BOD approved a US\$1.0 million shareholder loan to SuperFoods Group to finance its capital expenditures.

Annex “D”

Certifications of Nominees as Independent Directors

Annex “D-1”

Certification and Curriculum Vitae of Mr. Monico V. Jacob

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MONICO V. JACOB**, Filipino, of legal age and a resident of 447 Duke St., Greenhills East Mandaluyong City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **JOLLIBEE FOODS CORPORATION** and have been its independent director since 2001 (where applicable).
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
<i>Listed Companies</i>		
2 Go Group, Inc. (formerly Aboitiz Transport Systems, Inc.)	Independent Director	2009-present
Lopez Holdings Corp.	Independent Director	2013-present
Phoenix Petroleum Philippines, Inc.	Independent Director	2010-present
Rockwell Land Corporation	Independent Director	2016-present
STI Education Systems Holdings, Inc.	Executive Director	2010-present
Asian Terminals, Inc.	Non-Executive Director	2009-present
<i>Non-Listed Companies</i>		
De Los Santos – STI MegaClinic	Director	2013-present
Information and Communications Technology (i-Academy), Inc.	Director	2003-present
Maestro Holdings, Inc. (formerly STI Investments, Inc.)	Director	2007-present

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
Negros Navigation Co., Inc.	Independent Director	2009-present
Philippines First Insurance Company, Inc.	Director	2016-present
Philippine Life Financial Assurance, Inc.	Director	2013-present
Philhealthcare, Inc.	Director	2013-present
Rosehill Memorial Management, Inc.	Director	2014-present
STI Education Services Group, Inc.	Director	2003-present
Total Consolidated Asset Management, Inc.	Director	1999-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **JOLLIBEE FOODS CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of **JOLLIBEE FOODS CORPORATION** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable).

NAME OF DIRECTOR / OFFICER / SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
NOT APPLICABLE		

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

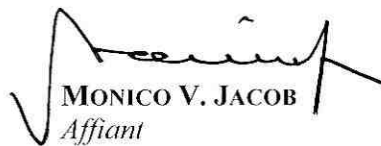
OFFENSE CHARGED / INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE		

6. (For those in government service / affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency department) to be an independent director in **JOLLIBEE FOODS CORPORATION**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

NOT APPLICABLE

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **JOLLIBEE FOODS CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done, this 5th day of April 2017 at Makati City, Philippines.


MONICO V. JACOB
Affiant

SUBSCRIBE AND SWORN to before me this _____ day of
05 APR 2017 at Pasig City, affiant personally appeared before me and
 exhibited to me his Philippine Passport No. EC7728486 issued at DFA NCR East
 on May 17, 2016 expiring on May 16, 2021.

Doc. No. 50;
 Page No. 11;
 Book No. 3;
 Series of 2017.


AIMEE BERYL C. TAN
 Notary Public-Pasig, San Juan and Pateros, Metro Manila
 Notarial Commission No. 176 expiring on December 31, 2017
 14F Jollibee Plaza, 10 F. Ortigas Jr. Avenue, Ortigas Center Pasig City 1605
 PTR No. 1500239 issued on January 3, 2015-Pasig City
 IBP No. 012751 Lifetime Member-Pasig City
 Roll of Attorney No. 63761

MONICO V. JACOB

PERSONAL INFORMATION:

Address	:	447 Duke St., Greenhills East Mandaluyong City
Birthdate	:	May 6, 1945
Birthplace	:	Manila
Citizenship	:	Filipino
Civil Status	:	Married
Business Address	:	7 th Floor STI Holdings Center 6764 Ayala Ave. Makati City
Telephone No.	:	[632] 891-3863
Fax No.	:	[632] 891-3866
E-mail	:	nick.jacob@sti.edu

EDUCATIONAL BACKGROUND:

Graduate School	:	Bachelor of Laws (1971) Ateneo de Manila University
Tertiary	:	AB Liberal Arts (1966) Ateneo de Naga University

PROFESSIONAL BACKGROUND

STI Education Services Group, Inc.	-	Vice-Chairman and CEO
(2016)		
Rosehills Memorial Management, Inc.	-	Chairman (2014)
TechZone Philippines, Inc.	-	Vice-President (2014)
Philippine Life Financial Assurance Corp.	-	Chairman (2013)
STI West Negros University	-	President (2013)
GROW Vite, Inc.	-	President (2013)
STI Education Systems Holdings, Inc.*	-	President (2010)
Insurance Builders, Inc.	-	President (2010)
Maestro Holdings, Inc.	-	President (2007)
(formerly STI Investments, Inc.)		
Capital Managers and Advisors, Inc.	-	President (2006)
Global Resource for Outsourced Workers, Inc.	-	Chairman (2000)
Total Consolidated Asset Mgmt., Inc.	-	Chairman (1999)

DIRECTORSHIPS

Ateneo de Naga University – since 2000
Jollibee Foods, Inc. – since 2000
Information and Communications Technology (iAcademy), Inc. – since 2003
De Los Santos – STI College – since 2004
Philippine Health Educators, Inc. – since 2004
2GO Group, Inc. (formerly Aboitiz Transport Systems, Inc.) - since 2009
Negros Navigation Corp. – since 2009
Asian Terminals, Inc. – since 2009
Phoenix Petroleum Philippines, Inc. – since 2010
MegaClinic – since 2013
Philhealthcare, Inc. – since 2013
Lopez Holdings, Inc. – since 2013
Rockwell Land Corporation -- since 2016
Philippines First Insurance Co., Inc. – since 2016

**Updated 29 March 2017*

Annex “D-2”

Certification and
Curriculum Vitae of
Mr. Cezar P. Consing

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CEZAR P. CONSING**, Filipino, of legal age and a resident of 33D Rizal Towers Rockwell Center, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **JOLLIBEE FOODS CORPORATION** and have been its independent director since 2010 (where applicable).
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
<i>Listed Companies</i>		
Bank of the Philippine Islands	Executive Director	April 18, 2013
National Reinsurance Corp. of the Philippines (PhilNare)	Non-Executive Director	July 7, 2014
<i>Non-Listed Companies</i>		
BPI Family Savings Bank, Inc.	Director	May 10, 2013
BPI Direct BankKO, Inc.	Chairman	February 22, 2017
BPI/MS Insurance Corp.	Chairman Director	July 23, 2015 May 16, 2013
BPI-Philam Life Assurance Corp.	Director	April 3, 2014
BPI Capital Corp.	Vice-Chairman	May 10, 2013
BPI Europe PLC	Chairman	July 21, 2014
BPI Asset Management and Trust Corporation	Director	November 16, 2016
BPI Century Tokyo Lease & Finance Corp.	Chairman	December 22, 2014
BPI Century Tokyo Rental Corp.	Chairman	January 28, 2015

COMPANY / ORGANIZATION	POSITION / RELATIONSHIP	PERIOD OF SERVICE
BPI Foundation, Inc.	Vice-Chairman, Board of Trustees	April 23, 2014
BPI Computer Systems Corp.	Chairman	May 22, 2013
LGU Guarantee Corp.	Director	May 16, 2014
Filgifts.com	Director & Non-Executive Chairman	December 2003
TRG Management Principals LP	Board Partner	February 28, 2014
Sqream Technologies Private Ltd.	Director	July 31, 2010
Endeavor Philippines	Director	August 26, 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **JOLLIBEE FOODS CORPORATION**, as provided for in Section 38 of the Securities Regulation Code, its Implementing rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **JOLLIBEE FOODS CORPORATION** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable).

[illegible]

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED / INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS

6. (For those in government service / affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency department) to be an independent director in **JOLLIBEE FOODS CORPORATION**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **JOLLIBEE FOODS CORPORATION** of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of 03 APR 2017, at _____.


CEZAR P. CONSING
Affiant

SUBSCRIBE AND SWORN to before me this _____ day of
03 APR 2017 at _____, affiant personally appeared
before me and exhibited to me his Driver's License No. X01-13-000212 issued on
October 7, 2015 expiring on October 20, 2018.

Doc. No. 27 ;
Page No. 7 ;
Book No. 3 ;
Series of 2017.

AIMEE BERYL C. TAN
Notary Public-Pasig, San Juan and Pateros, Metro Manila
Notarial Commission No. 176 expiring on December 31, 2017
440 Jollibee Plaza, 10 F. Ortigas Jr. Avenue, Ortigas Center Pasig City 1605
1390239 issued on January 1, 2016-Pasig City
No. 012751 Lifetime Member-Pasig City
Roll of Attorney No. 63751



Cezar “Bong” Consing has been President and CEO of Bank of the Philippine Islands (“BPI”) since 2013.

From 2004 to 2013, Mr. Consing was a Partner with The Rohatyn Group, a New York headquartered investment management company that manages about \$5.5 billion in investments in the global emerging markets. He was responsible for the firm’s private equity business in Asia, managed its Hong Kong based operations and was a member of the board of partners of the firm’s management company.

Mr. Consing was an investment banker with J.P. Morgan & Co. from 1985 to 2004, where he was based in Hong Kong and Singapore. From 1999 to 2004 he was President of J.P. Morgan Securities (Asia Pacific) and, as a Managing Director, co-headed or headed the firm’s investment banking group in the Asia Pacific (ex-Japan) region. As an investment banker, Mr. Consing was directly involved in some of the most significant corporate finance transactions in Asia. Mr. Consing worked for BPI in Manila in corporate planning and corporate banking from 1980 to 1985.

Mr. Consing served as an independent director of the boards of CIMB Group Holdings Berhad and CIMB Group Sdn. Berhad, from 2004 – 2012, and First Gen Corporation, a major Philippine power generation company, from 2005 – 2013. He has been an independent director of the board of Jollibee Foods Corporation since 2010. He served as a board director of BPI from 1995 – 2000, 2004 – 2007, and most recently since 2010. He received an M.A. in Applied Economics from the University of Michigan, Ann Arbor, in 1980, and an A.B. in Economics, magna cum laude, from De La Salle University, Manila, in 1979.