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## SECURITIES AND EXCHANGE COMMISSION

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

**GENERAL INSTRUCTIONS**

**(A) Use of Form ACGR**

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

**(B) Preparation of Report**

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

**(C) Signature and Filing of the Report**

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

**(D) Filing an Amendment**

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM – ACGR**

**ANNUAL CORPORATE GOVERNANCE REPORT**

1.

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## A. BOARD MATTERS

### 1) Board of Directors

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

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director
Jerry Liu	ED	Camerton		2-17-11	5-25-12	Annual	1
Nicanor Lizares	ED	Camerton		2-17-11	5-25-12	Annual	1
Anthony Buyawe	ED	Camerton		2-17-11	5-25-12	Annual	1
Jorge Aguilar	ED	Camerton		2-17-11	5-25-12	Annual	1
Nelia Liu	ED	Camerton		5-31-13	5-25-12	Annual	1
Martin Lorenzo	ID	Camerton		2-17-11	5-25-12	Annual	1
Ernest Fritz Server	ID	Camerton		2-17-11	5-25-12	Annual	1

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

#### **Treatment of all shareholders**

*Each share is entitled to one vote that may be exercised in person or by proxy. The shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.*

*It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms.*

#### **Respect for the rights of minority shareholders and of other stakeholders**

*The Board of Directors recognizes and safeguards the rights of every shareholder. It promotes shareholders' rights, particularly the rights to information and to participate in the governance process. It supplements and complements the Articles of Incorporation and By-Laws of the Company, which principally contain the basic structure of governance. The shareholders are given the privilege to vote on all matters that requires consent; inspect corporate books and records; rights to information; rights to dividends; and appraisal right.*

#### **Disclosure duties**

*The Board shall commit at all times to adequately and timely disclose all material information that could potentially affect the Company's share price and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations as well as other relevant laws. This information include but are not limited to earnings results, acquisition or disposal of significant assets, off balance sheet transactions, changes in Board membership as well as changes in shareholdings of directors and officers, and remuneration of directors and officers and related party transactions.*

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

## **Board responsibilities**

*The Board shall exert its best effort to ensure a high standard of best practice for the Company, its shareholders and stakeholders. To do so, it shall perform all the functions which it is required to perform in the Company's By-Laws with honesty and integrity. Its duties and responsibilities as defined include: 1. Conduct fair business transactions with the company and ensure that personal interest does not bias Board decisions. 2. Devote time and attention necessary to properly discharge his duties and responsibilities. 3. Act judiciously. 4. Exercise independent judgment. 5. Have a working knowledge of the statutory and regulatory requirements. 6. Observe confidentiality. 7. Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment. 8. Prior to assuming office, attend a seminar on corporate governance.*

(c) How often does the Board review and approve the vision and mission? *Every two years*

(d) Directorship in Other Companies

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

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

<b>Director's Name</b>	<b>Corporate Name of the Group Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Jerry Liu	Cirtek Electronics Corporation	Chairman
Jerry Liu	Cirtek Electronics International Corp.	Director
Anthony Buyawe	Cirtek Electronics International Corp.	Director

(ii) Directorship in Other Listed Companies

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

<b>Director's Name</b>	<b>Name of Listed Company</b>	<b>Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.</b>
Nicanor Lizares	Pancake House, Inc	Executive Director
Martin Lorenzo	Pancake House, Inc/Pancake House Holdings, Inc	Chairman
Ernest Fritz Server	RFM Corporation	Chairman

(iii) Relationship within the Company and its Group

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

<b>Director's Name</b>	<b>Name of the Significant Shareholder</b>	<b>Description of the relationship</b>
Jerry Liu	Camerton Inc.	Shareholder

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

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

*A director shall exercise due discretion in accepting and holding of directorships outside of the Company. A director may hold any number of directorships outside of the Company provided that these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Company.*

- (e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Jerry Liu	1	168,479,985	70.6
Anthony Buyawe	1	0	0
Jorge Aguilar	1	0	0
Nicanor Lizares	1	0	0
Rafael Estrada	1	500,000	0
Martin Lorenzo	1	0	0
Ernest Fritz Server	1	0	0
<b>TOTAL</b>	<b>7</b>	<b>168,979,985</b>	<b>70.6</b>

2) Chairman and CEO

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

Yes

No

- (b) Roles, Accountabilities and Deliverables

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

	Chairman	Chief Executive Officer
Role	<p>Ensure effective operation of the Board and its committees in conformity with the highest standards of corporate governance.</p> <p>Ensure effective communication with shareholders, regulators and other stakeholders and that the views of these groups are understood by the Board.</p> <p>Set the agenda, style and tone of Board discussions to promote constructive debate and effective decision-making.</p> <p>Ensure that all Board committees are properly established, composed and operated.</p>	<p>Develop strategy proposals for recommendation to the Board and ensure that agreed strategies are reflected in the business.</p> <p>Develop annual plans, consistent with agreed strategies, for presentation to the Board for support.</p> <p>Plan human resourcing to ensure that the Company has the capabilities and resources required to achieve its plans.</p> <p>Develop an organisational structure and establish processes and systems to ensure the efficient organisation</p>



	<p>Ensure comprehensive induction programmes for new directors and updates for all directors as and when necessary.</p> <p>Support the Chief Executive in the development of strategy and, more broadly, to support and advise the Chief Executive.</p> <p>Maintain access to senior management as is necessary and useful, but not intrude on the Chief Executive's responsibilities.</p> <p>Promote effective relationships and communications between non-executive directors and members of the Group Executive Committee.</p> <p>Ensure that the performance of the Board, its main committees and individual directors is formally evaluated on an annual basis.</p> <p>Establish a harmonious and open relationship with the Chief Executive.</p>	<p>of resources.</p> <p>Be responsible to the Board for the performance of the business consistent with agreed plans, strategies and policies.</p> <p>Lead the executive team, including the development of performance contracts and appraisals.</p> <p>Ensure that financial result, business strategies and, where appropriate, targets and milestones are communicated to the investment community.</p> <p>Develop and promote effective communication with shareholders and other relevant constituencies.</p> <p>Ensure that business performance is consistent with the Business Principles.</p> <p>Ensure that robust management succession and management development plans are in place and presented to the Board from time to time.</p> <p>Develop processes and structures to ensure that capital investment proposals are reviewed thoroughly, that associated risks are identified and appropriate steps taken to manage the risks.</p> <p>Develop and maintain an effective framework of internal controls over risk in relation to all business activities including the Group's trading activities.</p> <p>Ensure that the flow of information to the Board is accurate, timely and clear.</p> <p>Establish a close relationship of trust with the Chairman, reporting key developments to him in a timely manner and seeking advice and support as appropriate.</p>
Accountabilities	Responsible for leadership of the Board	Responsible for leadership of the business and managing it within the authorities delegated by the Board.
Deliverables		

- 3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

Then Company recognizes the importance of succession planning in building a leadership pipeline/talent pool to ensure leadership continuity.

Succession planning in the Company involves the following steps: (1) analyzing company strategy and identifying core competencies and technical competencies required to maintain and build a strong, sustainable organization, (2) identifying internal talent with critical competencies, and assessing needs for external talent (3) implementing retention programs and recruitment strategies, (4) monitoring performance of talent pool.

- 4) Other Executive, Non-Executive and Independent Directors

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

*Directors sitting in the Board shall be possessed of the necessary skills, adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business. He must possess integrity, probity and shall be diligent and assiduous in the performing his functions.*

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

*Yes. The presence of a non-executive director with experience in the same sector augments in-house knowledge and at the same time provides an objective perspective on important matters such as industry trends, competition, and company capabilities.*

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

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
<b>Role</b>	He shall supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors and implement the administrative policies of the corporation under his supervision and control	<p>A director's office is one of trust and confidence.</p> <p>He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness.</p> <p>He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.</p>	<p>A director's office is one of trust and confidence.</p> <p>He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness.</p> <p>He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.</p>
<b>Accountabilities</b>	<ul style="list-style-type: none"> <li>• He represents the corporation at all functions and proceedings</li> <li>• To execute on behalf of the corporation all</li> </ul>	<p>He shall observe the following:</p> <ul style="list-style-type: none"> <li>• Conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions.</li> <li>• Devote time and attention necessary to properly</li> </ul>	

	<p>contracts, agreements and other instruments affecting the interests of the corporation in which will require the approval of the Board of Directors.</p> <ul style="list-style-type: none"> <li>• To oversee the preparation of the budgets and statements of accounts of the corporation.</li> <li>• To make reports to the Board of Directors.</li> </ul> <p>To perform such duties as are incident to his office or are entrusted to him by the Board of Directors</p>	<p>discharge his duties and responsibilities</p> <ul style="list-style-type: none"> <li>• Act judiciously</li> <li>• Exercise independent judgment.</li> <li>• Have a working knowledge of the statutory and regulatory requirements</li> <li>• Observe confidentiality.</li> <li>• Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment</li> <li>• Prior to assuming office, attend a seminar on corporate governance</li> </ul>
Deliverables	<p>He is to initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation</p>	<p>To ensure good governance of the Company, the Board should establish the vision and mission and strategic objectives and key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance</p>

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

*An Independent Director shall mean a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could or could reasonably be perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as a director of the corporation.*

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

*No term limit.*

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

##### (a) Resignation/Death/Removal

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

*None*

Name	Position	Date of Cessation	Reason
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

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

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

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<ul style="list-style-type: none"> <li>The Board thru its Nomination Committee pre-screens the qualification of all nominees to the Board of Directors.</li> <li>Nominations shall be made in writing.</li> <li>Voting shall be by secret ballot.</li> <li>Cumulative voting shall be allowed and each shareholder shall have the right to vote in person or by proxy the number of shares standing in his name at record date. He may also vote such number of shares for as many persons as there are directors or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principles among as many candidates as he shall fit provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Candidates receiving the highest number of votes shall be declared elected.</li> </ul>	<p>Qualifications of Directors:</p> <ul style="list-style-type: none"> <li>Any stockholder having at least one (1) share of the capital stock of the Company registered in his name.</li> <li>At least 21 years of age</li> <li>Directors sitting in the Board shall possess necessary skills, adequate competence and experience in managing a business.</li> <li>He must possess all the qualifications and none of the disqualifications of regular directors under Corporate Governance as provided.</li> <li>Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.</li> <li>Other relevant qualifications, such as membership in good standing in business, professional organization or relevant industry.</li> </ul>
(ii) Non-Executive Directors	Same as stated above	Same as stated above
(iii) Independent Directors	Same as stated above	<p>Apart from above qualifications, additional criteria for Independent Directors as follow:</p> <ul style="list-style-type: none"> <li>a candidate for independent director must be independent of the management and free from any business or other relationship which could, or could reasonably be perceived to, materially</li> </ul>

		<p>interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation.</p> <ul style="list-style-type: none"> <li>• He must have been engaged in or exposed to the business of corporation for at least five (5) years.</li> </ul>
<b>b. Re-appointment</b>		
(i) Executive Directors	Same as stated above	Same as stated above
(ii) Non-Executive Directors	Same as stated above	Same as stated above
(iii) Independent Directors	Same as stated above	Same as stated above
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.</p>	<p>Disqualifications:</p> <ul style="list-style-type: none"> <li>• Persons who have been convicted by a competent judicial or administrative body of the following: <ul style="list-style-type: none"> <li>&gt; Any crime involving purchase or sale of securities as defined in Securities Regulation Code.</li> <li>&gt; Any crime arising out of the person's conduct as an underwriter, broker, dealer, futures commission merchant, commodity trading advisor or floor broker.</li> <li>&gt; Any crime arising out of his fiduciary relationship with bank, quasi-bank, trust company, investment house or as an affiliated person of any of them.</li> </ul> </li> <li>• Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Securities and Exchange Commission ("SEC") or any court or other administrative body of competent jurisdiction</li> <li>• Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury.</li> </ul>

		<ul style="list-style-type: none"> <li>• Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP.</li> <li>• Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company.</li> <li>• Any person judicially declared to be insolvent.</li> <li>• Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs.</li> <li>• Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment.</li> <li>• No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company.</li> </ul>
(ii) Non-Executive Directors	Same as stated above	Same as stated above
(iii) Independent Directors	Same as stated above	<p>Disqualification of Independent Director:</p> <ul style="list-style-type: none"> <li>• He becomes an officer or employee of the corporation where he is such member of the Board of Directors or becomes any of the person enumerated under Section 2 of these By-Laws.</li> <li>• His beneficial security ownership exceeds ten percent (10%) of the</li> </ul>

		<p>outstanding capital stock of the Corporation where he is such a director.</p> <ul style="list-style-type: none"> <li>• Fails, without any justifiable cause, to attend at least fifty percent (50%) of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family.</li> <li>• Such other disqualifications which the Corporation's Manual on Corporate Governance provides.</li> </ul>
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	<p>Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors. It shall pre-screen the qualifications of all nominees to the Board of Directors</p>	<p>Any of the following shall be a ground for temporary disqualifications of a director:</p> <ul style="list-style-type: none"> <li>• Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.</li> <li>• Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.</li> <li>• Dismissal/ termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.</li> <li>• Being under preventive suspension by the Company for any reason.</li> <li>• Conviction that has not yet become final referred to in the grounds for</li> </ul>

		disqualification of directors
(ii) Non-Executive Directors	Same as stated above	Same as stated above
(iii) Independent Directors	Same as stated above	Same as stated above
<b>e. Removal</b>		
(i) Executive Directors	A director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock of the corporation, at a regular or meeting or special meeting called for the purpose, and in either case, after previous notice to stockholders of such proposal to remove such director.	He possesses any of the criteria enumerated for permanent disqualifications, as stated above
(ii) Non-Executive Directors	Same as stated above	He possesses any of the criteria enumerated for permanent disqualifications, as stated above
(iii) Independent Directors	Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.  The termination and cessation of an Independent director shall be governed by the provisions of SEC Memorandum Circular 2, otherwise known as the Code of Corporate Governance, the Securities Regulation Code and its Implementing Rules and Regulations.	He possesses any of the criteria enumerated for permanent disqualifications, as stated above
<b>f. Re-instatement</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		
<b>g. Suspension</b>		
(i) Executive Directors		
(ii) Non-Executive Directors		
(iii) Independent Directors		

#### Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Jerry Liu	Majority
Nelia Liu	Majority
Jorge Aguilar	Majority
Nicanor Lizares	Majority
Anthony Buyawe	Majority
Ernest Fritz Server	Majority
Martin Lorenzo	Majority



6) Orientation and Education Program

- (a) Disclose details of the company’s orientation program for new directors, if any.
- (b) State any in-house training and external courses attended by Directors and Senior Management<sup>3</sup> for the past three (3) years:
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

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

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

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The personal interest of directors and officers should never prevail over the interests of the company. Directors are required to be loyal to the organization that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interests of all shareholders and the Company without regard to their own personal and selfish interest.	The company shall not tolerate any form/ act of senior management and employees that will compromise the interest of the employer for their personal gains	
(b) Conduct of Business and Fair Dealings	A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his	Standards of fair business, advertising and competition are to be upheld. Appropriate means to safeguard customer information must be available. The following must be observed: <ul style="list-style-type: none"> <li>• not make false statements against competitors, their products and/or services;</li> <li>• Exercise reasonable and prudent professional judgment when dealing with clients.</li> <li>• deal fairly with the Company’s customers,</li> </ul>	

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

	impartiality.	service providers, suppliers, competitors and employees
(c) Receipt of gifts from third parties	The Directors, Senior Management and Employees are encouraged to avoid the receipt from and giving of gifts of unusually high value to persons or entities with whom the company relates (customer, suppliers, service providers)	
(d) Compliance with Laws & Regulations	Directors, officers and employees shall uphold right conduct and follow restrictions imposed by applicable laws, rules and regulations. They shall not accept demands brought on by prevailing business conditions or perceived pressures as excuses to violate any law, rule or regulation.	
(e) Respect for Trade Secrets/Use of Non-public Information	Directors, Management and Employees shall observe confidentiality of informations of the company, customers, business parties with whom the company relates.	
(f) Use of Company Funds, Assets and Information	Directors, Officers and Employees shall use company property and resources including company time, supplies and software, efficiently, responsibly and only for legitimate business purposes only. They shall safeguard company assets from loss, damage, misuse or theft and shall respect intellectual property rights.	
(g) Employment & Labor Laws & Policies	Directors, Officers and Employees shall comply with applicable employment & labor laws and policies	
(h) Disciplinary action	Any officer or employee who commits a violation of the Code of Ethics shall be subject to disciplinary action (including suspension and termination), without prejudice to any civil or criminal proceedings that the Company or regulators may file for violation of existing law. There shall be no exception from or waivers of any provision of this Code of Ethics, except as expressly approved by the Board of Directors.	
(i) Whistle Blower	The Company is committed to fostering a workplace conducive to open communication regarding the Company's business practices and to protecting employees from unlawful retaliation and discrimination for their having properly disclosed or reported illegal or unethical conduct. In an effort to further this commitment, the Company has established the following: (i) guidance for the receipt, retention, and treatment of verbal or written reports received by the Company regarding accounting, internal controls, auditing matters, disclosure, fraud and unethical business practices, whether submitted by Company employees or third parties; (ii) guidance for providing Company employees a means to make Reports in a confidential and anonymous manner; and (iii) the Company's intention to discipline, up to and including termination of employment, any person determined to have engaged in retaliatory behavior.	
(j) Conflict Resolution		

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

*Every director, management and employees have been given copies to ensure that company's code of conduct and policies are properly implemented and understood.*

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

*All employees must complete Code of Conduct awareness training. In order to reinforce the company's standards and help employees understand the policies and regulations, Cirtek continues to offer compliance training for employees across a variety of topics.*

*The Company conducts periodic compliance assessments.*

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures,

subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The Company shall avoid related party transactions. In instances where related party transactions cannot be avoided, the Company shall disclose all relevant information on the same, including information on the affiliated parties and the affiliation of directors and principal officers.
(2) Joint Ventures	
(3) Subsidiaries	
(4) Entities Under Common Control	
(5) Substantial Stockholders	
(6) Officers including spouse/children/siblings/parents	
(7) Directors including spouse/children/siblings/parents	
(8) Interlocking director relationship of Board of Directors	

(b) Conflict of Interest

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

*The Company is not aware of any person holding more than 5% of the common shares of the corporation under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the corporation and the Securities and Exchange Commission*

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

*The Company is not aware of any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.*

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

(ii) Mechanism

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

	Directors/Officers/Significant Shareholders
Company	Carrying out audits by reviewing and validating business processes and procedures, systems, financial and operational controls, and business practices.
Group	Same

5) Family, Commercial and Contractual Relations

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

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

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

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

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

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

6) Alternative Dispute Resolution

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

*The company has not been subject to any material dispute for the past three years.*

	Alternative Dispute Resolution System
Corporation & Stockholders	N/A
Corporation & Third Parties	N/A
Corporation & Regulatory Authorities	N/A

**C. BOARD MEETINGS & ATTENDANCE**

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

The Board of Director's meeting is scheduled at the beginning of the year.

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

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Jerry Liu	2-11-12	6	6	1
Member	Nicanor Lizares	2-11-12	6	5	.83
Member	Anthony Buyawe	2-11-12	6	6	1
Member	Jorge Aguilar	2-11-12	6	4	.67
Member	Nelia Liu	2-11-12	6	3	.5
Independent	Martin Lorenzo	2-11-12	6	4	.67
Independent	Fritz Server	2-11-12	6	4	.67

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? *No*

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

*A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business; Provided, that at least one (1) Independent Director is present in such meeting. Every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.*

5) Access to Information

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

*Notice of the meeting, agenda and reference materials, presentations and other related reports are required to be sent to the members of the Board of Directors at least one week prior to the date of the meeting*

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

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

*The Secretary must be a resident and citizen of the Philippines. He is responsible to record the minutes and transactions of all meetings of the directors and stockholders and safekeep and preserve the integrity of Board Minutes of Meetings. To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same.*

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

(e) Committee Procedures

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

Yes

No

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

Committee	Details of the procedures
Executive	All requests are coursed through the CFO
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

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

Procedures	Details
The Board may, through Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements have been prepared and presented.	External auditor is approved during the Annual Stockholders' Meeting.
Other external professional services such as tax & legal, shall from time to time be commissioned by the company with the approval of the senior management.	Engagement proposals are submitted by at least 2 professional services firms. The CEO and CFO select the advisor based on comprehensiveness of proposal, methodology, qualification of professionals, and price

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
No changes in existing policies		

**D. REMUNERATION MATTERS**

1) Remuneration Process

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

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Board Approval	CEO Approval
(2) Variable remuneration	Board Approval	CEO Approval
(3) Per diem allowance		CEO Approval
(4) Bonus	Board Approval	Board Approval
(5) Stock Options and other financial	Board Approval	Board Approval

instruments		
(6) Others (specify)		

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

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

*By resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year.*

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	See statement above		
Non-Executive Directors			

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

*As of December 31, 2012, the Board, apart from minimum per diem, has not received any allowance, benefits-in-kind or other emoluments.*

Remuneration Scheme	Date of Stockholders' Approval
See statement above	

3) Aggregate Remuneration

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

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	PhP12,000,000	-	-
(b) Variable Remuneration	PhP2,000,000	-	-
(c) Per diem Allowance	PhP48,000	PhP16,000	PhP32,000
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
<b>Total</b>	PhP62,000	PhP16,000	PhP32,000

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	N/A	N/A	N/A
2) Credit granted	PhP915,000	N/A	N/A
3) Pension Plan/s Contributions	-	N/A	N/A
(d) Pension Plans, Obligations incurred	-	N/A	N/A
(e) Life Insurance Premium	-	N/A	N/A
(f) Hospitalization Plan	PhP200,000	N/A	N/A
(g) Car Plan	-	N/A	N/A
(h) Others (Specify)	-	N/A	N/A
<b>Total</b>	PhP1,115,000	N/A	N/A

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

##### (a) Board of Directors

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

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

##### (b) Amendments of Incentive Programs

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

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A
N/A	N/A	N/A
N/A	N/A	N/A



5) Remuneration of Management

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

Name of Officer/Position	Total Remuneration
Senior Management as a group (VP for Engineer, Senior Director for Sales & Marketing, QC/QA Director, Human Resource Manager, Facilities & Material Management Director)	PhP 5,862,056

**E. BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

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

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit	2		1	Audit Committee	To assist the Board in fulfilling its oversight responsibilities on (1) financial reporting process, (2) system of internal control, (3) audit process, (4) Company's process for monitoring compliance with applicable laws and regulations.	Its key responsibilities focuses on areas pertaining to: (1) Financial Statements - generally Reviews significant accounting and financial reporting issues and understands its impact. (2) Internal Control - considers effectiveness of the company's internal control system, including I.T. security and control; (3) Internal Audit - review The	

						effectiveness of the internal audit function; and (4) External Audit – review and confirm independence of the external auditors.	
Nomination	2		1	Nomination Committee	Reviews and evaluates the qualifications of all persons nominated to the Board as well as those nominated to other position requiring appointment by the Board and provide assessment on the Board’s effectiveness in directing the process of renewing and replacing Board members.	Pre-screens qualifications of all nominees to the Board of Directors; supervise and coordinate the conduct of elections or replacement of the Board of Directors;	The Committee shall have the exclusive power to enforce and administer the Nomination and Election Rules of the Company.
Remuneration	2		1	Compensation Committee	Provides oversight over remuneration of senior management and other key personnel.	Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation’s culture, strategy and the business environment in which it operates.	Make Recommendations to the Board on matters pertaining to remuneration and compensation packages of corporate officers and directors, after conducting review and evaluation.

2) Committee Members

(a) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Ernest Fritz Server	5-25-12	6	4	.67	1
Member (ED)	Anthony Buyawe	5-25-12	6	6	1	1
Member (ED)	Jerry Liu	5-25-12	6	6	1	1

Disclose the profile or qualifications of the Audit Committee members.

Ernest Fritz Server – Mr. Server serves as the President of Multimedia Telephony Inc., Vice Chairman of RFM Corporation and a director of Philippine Township, Inc. Previously, Mr. Server served as Vice Chairman of the Commercial Bank of Manila, Consumer Bank and Cosmos Bottling Company and President of Philippine Home Cable Holdings, inc. and Philam Fund. Mr. Server graduated from Ateneo de Manila in 1963 with degree in Bachelor of Arts degree in Economics and holds MBA Major in Banking and Finance from University of Pennsylvania, Wharton Graduate School.

Anthony Buyawe – He is concurrently the CFO of CEC, CEIC and the Figaro Coffee Company. Prior joining the Company, Mr. Buyawe was CFO of ITP Technologies (2003-2005) and SMEDC (2008-2009) and Senior Director of Ernst & Young (2005-2008). Mr. Buyawe obtained his BA degree from University of the Philippines and his MBA from the Asian Institute of Management.

Jerry Liu – He is concurrently the President/CEO of CEC, Director of Cirtek Land and Cayon Holdings, Inc. and Chairman of Silicon Link, Inc. Mr. Liu holds a Bachelor of Science degree in Physics from Chung Yuan University of Taiwan and an MBA from the University of the East.

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

*The Audit Committee shall have the following responsibilities:*

1. *Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;*
2. *Provide oversight over Management’s activities in managing credit, market, liquidity, operational, legal and other risks of the Company, including but not limited to regular receipt from Management of information on risk exposures and risk management activities;*
3. *Perform oversight functions over the Company’s internal and external auditors. It should ensure that the internal and external auditors act independent from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;*
4. *Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;*
5. *Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;*
6. *Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;*

7. *Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;*
8. *Review the reports submitted by the internal and external auditors;*
9. *Review the quarterly, semestral and annual financial statements before their submission to the Board, with particular focus on the following matters;*
  - i. *Any change in accounting policies and practices;*
  - ii. *Major judgment areas;*
  - iii. *Significant adjustments resulting from the audit;*
  - iv. *Going concern assumptions;*
  - v. *Compliance with accounting standards; and*
  - vi. *Compliance with tax, legal and regulatory requirements.*
10. *Coordinate, monitor and facilitate compliance with laws, rules and regulations;*
11. *Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.*
12. *Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.*
13. *The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties; and*
14. *To comply with all the duties and responsibilities prescribed by the SEC under applicable laws, rules and regulations.*

(b) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Martin Lorenzo	5-25-12	6	4	.67	1
Member (ED)	Jerry Liu	5-25-12	6	6	1	1
Member (ED)	Nicanor Lizares	5-25-12	6	5	.83	1

(c) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Martin Lorenzo	5-25-12	6	4	.67	1
Member (ED)	Jerry Liu	5-25-12	6	6	1	1
Member (ED)	Anthony Buyawe	5-25-12	6	6	1	1

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive		
Audit	<b>NO CHANGES</b>	
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

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

Name of Committee	Work Done	Issues Addressed
Executive		
Audit	Assisted the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process and the company's process for monitoring compliance with laws and regulations and the code of conduct.	No material issues addressed
Nomination	Reviewed and evaluated the qualifications of all persons nominated to the Board as well as those nominated to other positions requiring the appointment by the Board.	No material issues addressed
Remuneration	Provided a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration of corporate officers and directors	No material issues addressed
Others (specify)		

5) Committee Program

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

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

## F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

*Risk management refers to comprehensive corporate actions or procedures taken to effectively manage risk and allow the company to achieve its goals of sustainable growth and value creation.*

2) Risk Policy

(a) Company

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

Risk Exposure	Risk Management Policy	Objective
Financial / Commercial Risk (foreign exchange, interest rate, credit)	<p>Foreign exchange risk is managed by forward contracts negotiated with banks. The positions subject to exchange risk peso expenses of the company, mainly direct labor and utility charges.</p> <p>Forward contracts are not designated as hedging instruments as defined by IAS 39 although they are in place for the purpose of managing risks.</p> <p>Company policy is to maintain a correct balance between fixed-rate debt and floating-rate debt.</p> <p>The Company has established a credit risk management system to ensure prompt and efficient collection of trade and receivable accounts.</p>	<p>Change in exchange rates will not generate any significant effect on the income statement.</p> <p>Achieve low blended interest rate.</p> <p>Ensure prompt and efficient collection of trade and receivable accounts.</p>
Strategic Risk (technology inflection, change in customer demand, competition, industry volatility)	The Company monitors technology trends and emerging applications. The Company also carries out continuous R&D on new materials and packaging applications. The Company collaborates with key customers on new generation of semiconductor devices	Ensure that the Company's products and services are aligned with market and customer requirements, and provide a distinct value proposition to customers
Operational Risk (quality, productivity, value chain)	The Company carries out quality assurance audits in all major stages of the manufacturing	Achieve high quality standards and efficiency at the production line. Ensure there is no

	process. The Company monitors compliance with various control plans and documented procedures. The Company maintains at least three suppliers for its major raw material requirements. The Company monitors financial performance on a weekly basis.	production downtime due to material stock-out. Ensure financial viability across the revenue centers.
Compliance Risk (legal, regulatory, code of conduct)	The Company monitors strict compliance with employment and labor laws, statutory reporting and filings, and adherence to code of conduct.	Compliance with employment and labor laws, statutory reporting and filings, and adherence to code of conduct.

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
	Same as above	

(c) Minority Shareholders

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

Risk to Minority Shareholders

3) Control System Set Up

(a) Company

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
	Please see discussion on risk management	

(b) Group

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

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

Please see discussion on risk management

(c) Committee

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

Committee/Unit		Details of its Functions

Please see discussion on risk management

## G. INTERNAL AUDIT AND CONTROL

### 1) Internal Control System

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

- (a) Explain how the internal control system is defined for the company;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

*Internal control system is defined as a process, effected by the Company's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:*

- 1. *Effectiveness and efficiency of operations.*
- 2. *Reliability of financial reporting.*
- 3. *Compliance with applicable laws and regulations.*

*The first category pertain to the Company's fundamental objectives, including performance and profitability goals and safeguarding of assets. The second relates to the preparation of comprehensive, accurate financial statements, including selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with laws and regulations.*

### 2) Internal Audit

#### (a) Role, Scope and Internal Audit Function

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



Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
TS16949 Quality Systems Standards	Process Audit	Performed in-house, by customer, end-customer and accrediting agency	Various parties involved	Findings are raised to QA Department; forwarded to division involved; findings and propose solutions presented to senior management for recommendation and approval
	Systems Audit			
	Product Audit			
ISO14001	Process Audit	Performed in-house and by government agencies	N/A	Findings forwarded to Quality Systems Department
Internal audit (accounting)	Compliance with Company policies and procedures, and whether such compliance provide reasonable assurance of financial data integrity, and compliance with PFRS and PAS	Performed in-house and by professional services firm		Findings forwarded to CFO and CEO; presented to the Board

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? *Yes*
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? *Yes*
- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them. *No resignation or re-assignments*

Name of Audit Staff	Reason
N/A	N/A
N/A	N/A
N/A	N/A

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

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

<b>Progress Against Plans</b>	Internal audits are performed according to schedule
<b>Issues<sup>6</sup></b>	No issues
<b>Findings<sup>7</sup></b>	No findings
<b>Examination Trends</b>	No trends

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

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

(f) Audit Control Policies and Procedures

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

<b>Policies &amp; Procedures</b>	<b>Implementation</b>
<p>Company accounting system is a set of records and the procedures and equipment used to perform accounting functions. Manual systems consist of journals and ledgers on paper. Computerized accounting systems consist of accounting software, computer files, and related peripheral equipment such as computer hardware, printers, modems, etc.</p> <p>Regardless of the system, the function of accountants include:</p> <ol style="list-style-type: none"> <li>(1) recording, classifying, and summarizing measuring economic events;</li> <li>(2) recording, classifying, and summarizing measurements;</li> <li>(3) reporting economic events and interpreting financial statements.</li> </ol> <p>Both internal and external users tell accountants of their information needs. The accounting system enables a company’s accounting staff to supply relevant accounting information to meet those needs. As internal and external users make decisions that become economic events, the cycle of information, decisions, and economic events begin again.</p>	Fully implemented

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

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

Policies & Procedures	Implementation
Policy on cash receipts	Fully implemented
Policy on cash disbursements	Fully implemented
Policy on cash advances	Fully implemented
Policy on supplies and materials purchasing	Fully implemented
Policy on fixed assets	Fully implemented
Policy on accounts receivable	Fully implemented
Policy on accounts payable	Fully implemented
Policy on payroll	Fully implemented
Recording of transactions	Fully implemented
Journal voucher preparation	Fully implemented
Financial Reporting	Fully implemented
Reconciliation of bank accounts	Fully implemented

(g) Mechanisms and Safeguards

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

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Observe independence of parties and carry out transaction at arms-length basis			

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

## H. ROLE OF STAKEHOLDERS

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

	Policy	Activities
Customers' welfare	Provide highest standard of quality to all customers	Daily quality and process reviews; daily reports to customers
Supplier/contractor selection practice	The Company observes a "supplier qualification screening" process in order to: (1) reduce the likelihood of supplier non-performance, such as late delivery, non-delivery, or delivery of non-conforming (faulty) goods, and (2) ensure that the supplier will be a responsible and responsive partner in the day-to-day business relationship with the buyer.	Reference check, financial status check, quality check, ability to meet specifications
Environmentally friendly value-chain	Control operations in order to minimize environmental pollution to ensure the safety and health of every employee	Control of hazardous waste disposal; water conservation, electricity conservation, efficient raw materials utilization, 3 Rs (reduce, re-use, recycle), proper waste segregation, proper

		training of people, environmental updates to all employees
Community interaction	Promote good relations with communities through participation in community upliftment programs and humanitarian activities	Participation in community upliftment programs and humanitarian activities
Anti-corruption programmes and procedures?	We conduct periodic anti-bribery audits of our business to raise overall awareness, detect potential misconduct and monitor compliance with anti-corruption laws and Company policy	Periodic audits, monitoring
Safeguarding creditors' rights	Foster long-term relationship with suppliers to achieve quality, competitiveness, process efficiency and performance reliability  Maintain fairness, truthfulness, integrity and transparency in business dealings with creditors	Timely settlement of payables, update on the Company's operating and financial performance (with the banks)

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?  
Yes

3) Performance-enhancing mechanisms for employee participation.

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

*The Company maintains and updates comprehensive Occupational Safety and Health Procedures.*

(b) Show data relating to health, safety and welfare of its employees.

*In 2012 the Company had one minor work-related accident.*

(c) State the company's training and development programmes for its employees. Show the data.

*The Company conducts regular training for all production and support departments. The Company also sends key personnel to external training programs on a regular basis.*

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Company employee can file their report through (a) the Company's Compliance and Fraud Hotline, (b) the Human Resource Director (c) the CFO, or (d) Chairman of the Audit Committee of the Board of Directors. Any report received through the Hotline will be forwarded to the appropriate party, which would be either the Human Resource Director, the CFO or the Chairman of the Audit Committee. Any report received by a Company officer, director, or employee from a non-Company source should be immediately forwarded to The Hotline.

Retaliation against any employee that files a report or complaint under this policy is strictly prohibited. Employees determined to have engaged in retaliatory behavior or who fail to maintain an employee's anonymity if requested may be subject to discipline, which could include termination of employment. Any employee who feels that he or she has been subjected to any behavior that violates this policy should immediately report such behavior to his or her supervisor, Human Resources Director, the CFO, or the Director Chairman of the Audit Committee. Please note however, that employees who knowingly file misleading or false reports, or without a reasonable belief as to

truth or accuracy, will not be protected by this policy and may be subject to discipline, including termination of employment.

## I. DISCLOSURE AND TRANSPARENCY

### 1) Ownership Structure

#### (a) Holding 5% shareholding or more

*The corporation is not aware of any person holding more than 5% of the common shares of the corporation under a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the corporation and the Securities and Exchange Commission*

Shareholder	Number of Shares	Percent	Beneficial Owner
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A
<b>TOTAL</b>			

### 2) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	YES
Details of whistle-blowing policy	NO
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	YES
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure. *Not part of information required in SEC Form 17-A*

### 3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
-----------------	-----------	---------------

<b>Sycip Gorres Velayo &amp; Co.,</b>	<b>Php 550,00.00</b>	

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

*Shareholders are provided through public records, communication media, and the Company's website, the disclosures, announcements and reports filed with the SEC, PSE and other regulating agencies.*

5) Date of release of audited financial report: *April 2, 2013*

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	<b>Yes</b>
Financial statements/reports (current and prior years)	<b>Yes</b>
Materials provided in briefings to analysts and media	<b>Yes</b>
Shareholding structure	<b>Yes</b>
Group corporate structure	<b>Yes</b>
Downloadable annual report	<b>Yes</b>
Notice of AGM and/or EGM	<b>Yes</b>
Company's constitution (company's by-laws, memorandum and articles of association)	<b>Yes</b>

*Corporate website is being upgraded to further enhance contents.*

7) Disclosure of RPT

RPT	Relationship	Nature	Value
None	None	None	None
None	None	None	None

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

*The Company has no knowledge of any related-party transactions in 2012.*

## J. RIGHTS OF STOCKHOLDERS

### 1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

#### (a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

<b>Quorum Required</b>	Majority of the number of directors as fixed in the Articles of Incorporation
------------------------	---

#### (b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

<b>System Used</b>	Viva voce voting
<b>Description</b>	During Stockholders' meetings, a stockholder may vote in person or by proxy. During Board Meetings, members of the Board may approve corporate acts through viva voce voting.

#### (c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
NA	NA
NA	NA
NA	NA

#### Dividends

Declaration Date	Record Date	Payment Date
13 March 2012	25 March 2012	25 April 2012
13 March 2012	8 June 2012	29 June 2012
14 September 2012	21 December 2012	10 January 2013

#### (d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
NA	NA
NA	NA

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
  - a. Amendments to the company's constitution – participation in stockholders' meetings
  - b. Authorization of additional shares – participation in stockholders' meetings
  - c. Transfer of all or substantially all assets, which in effect results in the sale of the company – participation in stockholders' meetings
3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? YES
  - a. Date of sending out notices: 3 April 2012
  - b. Date of the Annual/Special Stockholders' Meeting: 25 May 2012
4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.
5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval of Declaration of Stock Dividends	92.56%	NA	NA
Amendment to By-Laws to Change Date of Annual Stockholders' Meeting	92.56%	NA	NA
Ratification of All Acts of the Board and Management	92.56%	NA	NA

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: 25 May 2012

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
NA	NA
NA	NA
NA	NA

(f) Stockholders' Attendance

- (i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Jerry Liu Nicanor Lizares Anthony Buyawe Jorge Aguilar	25 May 2012	Viva voce	74.00%	18.56%	92.56%



	Martin Lorenzo Tadeo Hilado Brian Gregory Liu Michael Liu					
Special	Jerry Liu Michael Liu Brian Gregory Liu Anthony Buyawe Jorge Aguilar	7 December 2013	Viva voce	0.05%	99.95%	72.19%

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? *No*

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. *Yes*

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	Proxies shall be made in writing, signed and in accordance with the existing laws, rules and regulations of the Securities and Exchange Commission.
Notary	Unless required, proxy form may not be notarized.
Submission of Proxy	Duly accomplished proxies must be submitted to the office of the Corporate Secretary not later than seven (7) days prior to the date of stockholders' meeting for proxy validation.
Several Proxies	Same procedure as above.
Validity of Proxy	Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.
Proxies executed abroad	Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office.
Invalidated Proxy	Proxies which are not properly executed shall be considered void and shall not be considered in the counting of votes.
Validation of Proxy	Validation of proxies shall be held at the date, time and place as may be stated in the Notice of the stockholders' meeting which in no case shall be less than five (5) calendar days prior to the date of stockholders meeting.
Violation of Proxy	Shall render such proxy void.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.	Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery, by ordinary or registered mail, by facsimile, by electronic mail or by publication

	in newspapers of general circulation published in Metro Manila, at least 2 weeks prior to the date of the meeting to each stockholder of record at his last known address.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	85
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	3 April 2012
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	3 April 2012
State whether CD format or hard copies were distributed	HARD COPIES
If yes, indicate whether requesting stockholders were provided hard copies	Stockholders' were provided hard copies

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
NA	NA
NA	NA
NA	NA
NA	NA

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes

## K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

There is an Investor Relations Officer within the Company, which shall be tasked with --

1. Creation and implementation of an investor relations program that reaches out to all shareholders and fully informs them of corporate activities;
2. Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;
3. Preparation of disclosure documents to the SEC and the Philippine Stock Exchange, and

The Investor Relations Officer reports to the Chief Financial Officer who shall oversee all reporting and disclosures to the SEC and PSE.

- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	Accurately and effectively communicate major corporate news (eg financial performance, new customers, expansion)
(2) Principles	Timeliness, truthfulness and transparency
(3) Modes of Communications	Press releases, interviews
(4) Investors Relations Officer	Anthony Buyawe / Sheerly Salazar

- 3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

*(1) Thorough assessment and due diligence, (2) Board approval of transaction value and structure, (3) obtain regulatory approvals, (4) disclosure of transaction*

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

*The Company uses several financial advisors depending on the nature and requirements of the transaction.*

## L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Tree planting	Community
River cleaning	Community
Aid to typhoon victims	Typhoon victims

## M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	<b>Process</b>	<b>Criteria</b>
<b>Board of Directors</b>	Self Evaluation, By shareholders at annual and special meeting of stockholders	Financial Performance, Good Corporate Governance
<b>Board Committees</b>	Self Evaluation	Performance of responsibilities
<b>Individual Directors</b>	Self Evaluation	Performance of responsibilities
<b>CEO/President</b>	Board evaluation	Accomplishment of previously set goals, strategies and targets

#### **N. INTERNAL BREACHES AND SANCTIONS**

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

<b>Violations</b>	<b>Sanctions</b>
First Violation	Subject person shall be reprimanded
Second violation	Suspension from the office shall be imposed.
Third Violation	Removal from office shall be imposed.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of

**BOEZON CITY** **JUL 01 2013**, 20\_\_

**SIGNATURES**



Jerry Liu  
Chairman of the Board



Jerry Liu  
Chief Executive Officer



Martin Lorenzo  
Independent Director



Ernest Fritz Server  
Independent Director



Anthony Buysse  
Compliance Officer

**JUL 01 2013**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, affiant(s) exhibiting to me their \_\_\_\_\_, as follows:

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
JERRY LIU / 50100 2013	10/8/12	MFA Manila
ANTHONY ALBERT BUYSSE / 000001010	2/11/12	DFA Manila
MARTIN LORENZO / 00300 5047	5/11/11	DFA Manila
ERNEST FRITZ SERVER	9/9/10	DFA Manila

**ATTY. JOEL G. CORDOLA**  
 NOTARY PUBLIC  
 NOTARIAL COMMISSION NO. 066  
 COMMISSION EXPIRES DEC. 31, 2013  
 PTR NO. 7561083, 1/12/2013, Q.C.  
 IBP NO. 834488, 1/12/2013, Q.C.  
 ROLL OF ATTORNEY NO. 25103

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 Book No. \_\_\_\_\_  
 Series of \_\_\_\_\_