C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7

C O M P A N Y   N A M E

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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

116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CFD	

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	729-6205	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
25	5/11	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Anthony Albert S. Buyawe	as.buyawe@cirtek.ph	N/A	N/A

CONTACT PERSON's ADDRESS

116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna

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.*

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Cirtek Holdings Philippines Corporation
116 East Main Avenue
Phase V-SEZ
Laguna Technopark
Biñan, Laguna

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Cirtek Holdings Philippines Corporation (the Company), which comprise the parent company balance sheets 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.

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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.

Report on the Supplementary Information Required Under Revenue Regulations No. 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 No. 15-2010 in Note 17 to the parent company financial statements is presented 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 Cirtek Holdings Philippines 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.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908679, January 3, 2017, Makati City

April 12, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**$13,322,629**	$17,260,582
Amounts owed by related parties (Note 11)	**97,931,908**	44,692,827
Financial asset at fair value through profit and loss (FVPL) (Note 5)	**–**	8,767,580
Other current assets	**5,314**	157,786
Total Current Assets	**111,259,851**	70,878,775
Noncurrent Assets		
Available-for-sale (AFS) financial asset (Note 7)	**1,667,000**	1,667,000
Investments in subsidiaries (Note 6)	**5,981,499**	5,981,499
Property and equipment	**67,757**	84,696
Total Noncurrent Assets	**7,716,256**	7,733,195
TOTAL ASSETS	**$118,976,107**	$78,611,970

LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses (Note 8)	**$157,059**	$133,451
Short-term loans (Note 9)	**8,852,857**	4,500,000
Current portion of long-term debt - net of deferred financing cost (Note 10)	**6,882,126**	3,433,849
Amounts owed to related parties (Note 11)	**19,937,731**	10,265,290
Total Current Liabilities	**35,829,773**	18,332,590
Noncurrent Liability		
Long-term debt - net of current portion and deferred financing cost (Note 10)	**36,977,845**	14,161,371
Total Liabilities	**72,807,618**	32,493,961
Equity (Note 14)		
Common stock	**9,594,321**	9,594,321
Preferred stock - net of subscription receivable	**221,239**	221,239
Additional paid-in capital	**35,896,893**	35,896,893
Retained earnings	**456,036**	405,556
Total Equity	**46,168,489**	46,118,009
TOTAL LIABILITIES AND EQUITY	**$118,976,107**	$78,611,970

See accompanying Notes to Parent Company Financial Statements

CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2016	2015
DIVIDEND INCOME (Note 11)	**$4,820,000**	$3,050,000
GENERAL AND ADMINISTRATIVE EXPENSES (Note 12)	**(278,040)**	(340,802)
FINANCIAL INCOME (EXPENSES)		
Interest expense (Notes 9 and 10)	**(1,134,962)**	(780,303)
Interest income (Notes 4 and 5)	**358,230**	343,193
	(776,732)	(437,110)
OTHER INCOME (CHARGES) - Net		
Foreign exchange losses - net	**(187,263)**	(52,906)
Gain on disposal	**93,670**	–
Bank charges	**(1,155)**	(1,768)
Input value-added tax (VAT) written off	–	(51,109)
Mark-to-market gain (Note 5)	–	267,580
	(94,748)	161,797
INCOME BEFORE TAX	**3,670,480**	2,433,885
PROVISION FOR INCOME TAX (Note 13)	–	–
NET INCOME	**3,670,480**	2,433,885
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME	**$3,670,480**	$2,433,885

See accompanying Notes to Parent Company Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Common stock					
	Issued	Undistributed Stock Dividends	Preferred Stock	Additional Paid-in Capital	Retained Earnings	Total
BALANCES AT DECEMBER 31, 2014	**$7,203,869**	**$689,265**	**$–**	**$4,733,511**	**$71,671**	**$12,698,316**
Issuance of additional capital stock (Note 14):						
Common stock	1,701,187	–	–	32,322,545	–	34,023,732
Preferred stock	–	–	221,239	–	–	221,239
Stock issue cost (Note 14)	–	–	–	(1,159,163)	–	(1,159,163)
Total comprehensive income for the year	–	–	–	–	2,433,885	2,433,885
Issuance of undistributed stock dividends (Note 14)	689,265	(689,265)	–	–	–	–
Cash dividends declared (Note 14)	–	–	–	–	(2,100,000)	(2,100,000)
BALANCES AT DECEMBER 31, 2015	**9,594,321**	**–**	**221,239**	**35,896,893**	**405,556**	**46,118,009**
Total comprehensive income for the year	–	–	–	–	3,670,480	3,670,480
Cash dividends declared (Note 14)	–	–	–	–	(3,620,000)	(3,620,000)
BALANCES AT DECEMBER 31, 2016	**$9,594,321**	**$–**	**$221,239**	**$35,896,893**	**$456,036**	**$46,168,489**

See accompanying Notes to Parent Company Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$3,670,480**	$2,433,885
Adjustments for:		
Dividend income (Note 11)	**(4,820,000)**	(3,050,000)
Interest expense (Notes 9 and 10)	**1,134,962**	780,303
Interest income (Notes 4 and 5)	**(358,230)**	(343,193)
Unrealized foreign exchange loss - net	**143,588**	43,490
Gain on disposal of financial asset at FVPL (Note 5)	**(93,670)**	–
Depreciation	**16,939**	–
Mark-to-market gain	**–**	(267,580)
Operating loss before working capital changes	**(305,931)**	(403,095)
Decrease (increase) in:		
Amounts owed by related parties (Note 11)	**(53,239,081)**	(5,511,095)
Other current assets	**(5,448)**	8,449
Increase in accrued expenses	**1,019**	26,305
Cash used in operations	**(53,549,441)**	(5,879,436)
Dividends received	**4,820,000**	3,050,000
Interest received	**516,016**	185,407
Net cash used in operating activities	**(48,213,425)**	(2,644,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial asset at FVPL	**8,861,250**	–
Acquisitions of:		
Financial asset at FVPL (Note 5)	**–**	(8,500,000)
AFS financial asset (Note 7)	**–**	(1,667,000)
Property and equipment	**–**	(84,696)
Cash from (used in) investing activities	**8,861,250**	(10,251,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of long-term debt (Note 10)	**30,000,000**	–
Availment of short-term loans (Note 9)	**4,642,857**	4,500,000
Stock issuance (Note 14)	**–**	34,244,971
Increase (decrease) in amounts owed to related parties (Note 11)	**9,672,441**	(15,578,233)
Payments of:		
Cash dividends (Note 14)	**(3,620,000)**	–
Long-term debt (Note 10)	**(3,500,000)**	(1,000,000)
Interest (Note 9)	**(1,025,021)**	(698,894)
Debt issuance costs (Note 10)	**(321,605)**	(161,159)
Short-term loans	**(290,000)**	–
Stock issue costs (Note 14)	**–**	(1,141,435)
Net cash from financing activities	**35,558,672**	20,165,250
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(144,450)**	(44,309)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,937,953)**	7,225,216
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**17,260,582**	10,035,366
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**$13,322,629**	$17,260,582

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information

Cirtek Holdings Philippines Corporation (CHPC or the Parent Company) was incorporated under the laws of the Republic of the Philippines on February 10, 2011 to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities.

The Parent Company was listed in the Philippine Stock Exchange (PSE) on November 18, 2011.

Prior to the listing, the Parent Company had undergone a corporate re-organization on March 1, 2011 which includes an acquisition from Cirtek Holdings, Inc. (CHI) of 155,511,952 common shares of Cirtek Electronics Corporation (CEC), and 50,000 shares of Cirtek Electronics International Corporation (CEIC), representing 100% of the outstanding capital stock of both companies. The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method. Camerton Inc. is the immediate parent of CHPC, while Carmetheus Holdings, Inc. is the ultimate parent company of the Group.

The Company has no employees as of December 31, 2016 and 2015. The accounting and administrative function of the Parent Company are handled by CEC.

Business Acquisition
On July 30, 2014, CEIC entered into a sale and purchase agreement with REMEC Broadband Wireless Holdings (“REMEC”), for the purchase of 100% shares of REMEC’s manufacturing division, REMEC Broadband Wireless International, Inc. (“RBWI”), a Philippine-based manufacturer of value added, highly integrated technology products. Based on the terms of the sale, REMEC and its remaining subsidiaries will continue to design and market its top-of-class telecommunications products globally under its “REMEC” brand, and, REMEC will enter into a manufacturing agreement with RBWI to manufacture REMEC’s products under a long-term contract manufacturing relationship. CEIC acquired RBWI for a consideration of $7.5 million. CHPC funded the acquisition through a combination of available cash on hand and proceeds from a corporate notes issuance.

The closing date of the transactions was effective July 30, 2014.

Authorization and issuance of parent company financial statements
The parent company financial statements as at and for the years ended December 31, 2016 and 2015 were approved and authorized for issuance by the Board of Directors (BOD) on April 12, 2017.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements are prepared on a historical cost basis, except for financial asset at FVPL which is carried at fair value. The parent company financial statements are presented in United States (US) dollar, which is the Parent Company’s functional and presentation currency. All amounts are rounded off to the nearest US dollar ($) except when otherwise indicated.

Statement of Compliance

The parent company financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by the Standing Interpretations Committee, Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine Securities and Exchange Commission (SEC).

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements in compliance with PFRS. These may be obtained at the Parent Company's registered office address.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncement and amendments to existing pronouncements starting January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Parent Company's financial position or performance.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accouting Standards (PAS) 28, *Investments in Associates and Joint Ventures*, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements*, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets*, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements*, *Equity Method in Separate Financial Statements*
- 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*
  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits*, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting*, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they 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 do not have any impact on the Parent Company's financial position and results of operation. The Parent Company will include the required disclosures in its 2017 parent company financial statements.

- 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.

  The amendments do not have any impact on the Parent Company's financial position and results of operation. The Parent Company will include the required disclosures in its 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.

  These amendments are not expected to have any impact on the Parent Company.

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 amendments will not have any impact on the Parent Company.

- 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 Parent Company.

- 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 adoption of PFRS 15 is not expected to have a significant impact on the Parent Company.

- 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 adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The Parent Company is currently assessing the impact of adopting this standard.

- 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.

  These amendments are not applicable to the Parent Company.

- 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 not applicable to the Parent Company.

- 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 transactions 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 adoption of the interpretation is not expected to have any significant impact on the parent company financial statements.

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 the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, 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 adoption of PFRS 16 is not expected to have a significant impact on the Parent Company.

Deferred effectivity

- 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, *Business Combinations*. 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 FRSC 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.

Summary of Significant Accounting Policies

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

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

The principal or the most advantageous market must be accessible to the Parent 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 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 Parent 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; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

<u>Cash and Cash Equivalents</u>
Cash includes cash in banks. Cash in banks earn interest at the respective bank deposit rates. 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 dates of acquisition and that are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
Financial assets
Initial recognition
Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial asset, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

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

The Parent Company's financial assets include cash and cash equivalents, financial assets at FVPL, AFS financial asset and amounts owed by related parties.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVPL are carried in the parent company balance sheet at fair value with gains or losses recognized in the parent company statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the parent company statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets designated as at FVPL are designated by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Parent Company designated its investment in Rizal Commercial Banking Corporation (RCBC) Senior Notes as financial asset at FVPL as of December 31, 2015.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried subsequently at amortized cost using the effective interest rate (EIR) method. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as "Interest income" in the parent company statement of comprehensive income. Assets in this category are included in current

assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

The Parent Company's loans and receivables include cash in bank and cash equivalents and amounts owed by related parties.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Parent Company's management has the positive intention and ability to hold to maturity. When HTM investments, other than insignificant amounts are sold, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are measured at amortized cost using the 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 Parent Company does not have any HTM investments as of December 31, 2016 and 2015.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the parent company statement of comprehensive income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the parent company statement of comprehensive income. Unquoted equity instruments are measured at cost less any impairment, if fair value cannot be reliably measured.

As of December 31, 2016 and 2015, the Parent Company's AFS financial asset pertains to its investment in CloudMondo, Ltd.

Financial liabilities
Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial liabilities at initial recognition and where allowed and appropriate, re-evaluates such designation at each balance sheet date.

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

The Parent Company's financial liabilities include accrued expenses (excluding statutory liabilities), short-term loans, long-term debt and amounts owed to related parties.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as follows:

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 acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Parent Company that do not meet the hedge accounting criteria as defined by PAS 39.

Financial liabilities at FVPL are carried in the parent company balance sheet at fair value with gains and losses recognized in the parent company statement of comprehensive income. The criteria for designating financial liabilities at FVPL on initial recognition are the same as those applied for financial assets.

The Parent Company has not classified any financial liabilities at FVPL as of December 31, 2016 and 2015.

Other financial liabilities
Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the parent company statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2016 and 2015, the Parent Company's other financial liabilities include accrued expenses, short-term loans, amount owed to related parties and long-term debt.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Parent 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 Parent Company and all of the counterparties.

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

Classification of financial instruments between debt and equity
A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Parent Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Parent Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that the debtors or a group of contracting parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in the parent company statement of comprehensive income.

Financial assets carried at amortized cost
The Parent Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it has determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition date). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognized in the parent company statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been

incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

When the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. In this case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that affects the rights and obligations that the Parent 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 Parent Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

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

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

Expenditures, such as repairs and maintenance, incurred after the property and equipment have been put into operations are normally charged to the parent company statement of comprehensive income in the period 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

When assets are sold or retired, their cost, accumulated depreciation and any impairment in value are eliminated from the accounts.

Any gain or loss resulting from the disposal is included in the parent company statement of comprehensive income.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. The initial cost is depreciated using the straight-line method, based on the estimated useful life of five (5) years.

The estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Such a review takes into consideration the nature of the assets, their intended use and evaluation of the technology.

Investments in Subsidiaries
Subsidiaries are entities over which the Parent Company has the power, exposure, or rights to variable returns from its involvement with its subsidiaries and the ability to use its power over the investees to affect the amount of returns to the Parent Company. Investments in subsidiaries are carried at cost less accumulated impairment in value, if any.

Impairment of Investments in Subsidiaries
The Parent Company assesses at the end of each reporting period whether there is an indication that investments in subsidiaries may be impaired. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such item are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each balance sheet 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. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred that are directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend distributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted for a specific purpose and, therefore, not available for dividend declaration.

The Parent Company may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the 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 or duty. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income

Dividend income is recognized when the Parent Company's right to receive payment is established.

Interest income

Interest income is recognized as it accrues using the EIR method.

Costs and Expenses
Expenses are decreases in economic benefits during the accounting 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. Costs and expenses are recognized when incurred.

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

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

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances give rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Parent Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the parent company statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translations
The parent company financial statements are presented in US dollars, which is the functional and presentation currency of the Parent Company. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to the parent company statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

Income Taxes
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the balance sheet date.

Deferred income tax
Deferred income tax is provided using the balance sheet liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred income 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 transaction, affects neither the accounting income nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, 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 income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized except:

- when the deferred income 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 income nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income 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 income tax assets is reviewed at each balance sheet 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in other comprehensive income and not in the parent company statement of comprehensive income.

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

<u>Provisions and Contingencies</u>

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event and 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. Where the Parent Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Events After the Balance Sheet Date
Post year-end events that provide additional information about the Parent Company's position at the balance sheet 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 parent company financial statements when material.

3. Summary of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS 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 require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Parent Company's accounting policies, management has made the following judgment, apart from those involving estimations, which had the most significant effect on the amounts recognized in the parent company financial statements:

Determining functional currency
Based on the economic substance of underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the US dollar. The US dollar is the currency of the primary economic environment in which the Parent Company operates and it is the currency that mainly influences operating activities of the Parent Company.

Impairment of investments in subsidiaries
The Parent Company assesses at the end of each balance sheet date whether there is any indication that its investments in subsidiaries are impaired. If any such indication exists, the Parent Company estimates the recoverable amount of its investments. Determining the fair value of these investments, 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 management to conclude that these investments are impaired. Any resulting impairment loss could have a material adverse impact on the Parent Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

Based on management's assessment, there is no indication of impairment on the Parent Company's investments in subsidiaries as of December 31, 2016 and 2015. The carrying value of investments in subsidiaries amounted to $5,981,499 as of December 31, 2016 and 2015 (see Note 6).

Impairment of AFS financial asset
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Based on management's evaluation, no indication of impairment was noted on the Parent Company' AFS financial asset as of December 31, 2016 and 2015.

<u>Estimation Uncertainty</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of allowance for doubtful accounts
Allowance for doubtful accounts is provided for accounts that are specifically identified to be doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts, such as historical performance of counterparties, among others. In addition to specific allowance against individually significant receivables, the Parent Company also assesses, at least on an annual basis, a collective impairment allowance against credit exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally recognized.

As of December 31, 2016 and 2015, management has assessed that the amounts owed by related parties are fully recoverable. The carrying value of amounts owed by related parties amounted to $97,931,908 and $44,692,827 as of December 31, 2016 and 2015, respectively (see Note 11).

As of December 31, 2016 and 2015, management has assessed that the carrying amount of the Parent Company's investments in subsidiaries are fully recoverable. The carrying value of investments in subsidiaries amounted to $5,981,499 as of December 31, 2016 and 2015 (see Note 6).

Recognition of deferred income tax assets
The Parent Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized.

Management believes that sufficient future taxable profits will not be available in the near future against which the carryforward benefits of NOLCO and unrealized foreign exchange losses can be utilized. Carryforward benefits of NOLCO and unrealized foreign exchange losses for which no deferred income tax assets were recognized amounted to $3,432,332 and $2,784,422 as of December 31, 2016 and 2015, respectively (see Note 13).

4. **Cash and Cash Equivalents**

	2016	2015
Cash on hand and in banks	**$13,322,629**	$2,279,706
Cash equivalents	–	14,980,876
	$13,322,629	$17,260,582

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents pertain to the Company's money market placements that are readily convertible to cash and earns interest at respective short-term investment rates.

Interest income earned from cash and cash equivalents amounted to $158,693 and $4,019 in 2016 and 2015, respectively.

5. **Financial Asset at FVPL**

The reconciliation of carrying amount of financial asset at FVPL is as follows:

	2016	2015
Beginning of year	**$8,767,580**	$–
Disposal	**(8,861,250)**	–
Gain on disposal	**93,670**	–
Acquisition during the year	–	8,500,000
Fair value gains	–	267,580
End of year	**$–**	$8,767,580

On January 21, 2015, the Parent Company acquired $8.5 million of the USD Senior Unsecured Fixed Rate Notes offered by RCBC via a drawdown from its $1.0 billion Medium Term Note Programme maturing on January 22, 2020. The senior note earns 4.25% fixed rate per annum, payable semi-annually commencing July 21, 2015. The senior note is listed and actively traded in Singapore Exchange Securities Trading Limited. The senior note is designated as financial asset at FVPL as of December 31, 2015. The fair values for the investment in RCBC Senior Notes have been determined directly by reference to published prices quoted in an active market.

In 2015, the Parent Company recognized fair value gains amounting to $267,580 in the parent company statement of comprehensive income.

On July 18, 2016, the investment in RCBC Senior Notes was sold for $8,861,250. Gain on disposal recognized in parent company statement of comprehensive income amounted to $93,670.

Interest income recognized on these notes amounted to $199,537 and $339,174 in 2016 and 2015, respectively.

6. Investments in Subsidiaries

The Parent Company's subsidiaries and the corresponding percentage equity ownership are as follows:

Subsidiaries	Country of Incorporation	Percentage of Ownership Direct	Percentage of Ownership Indirect	Number of Shares
CEC	Philippines	100	–	155,511,952
CEIC	BVI	100	–	50,000
Cirtek Advanced Technologies Solutions, Inc. (CATS), (formerly known as RBWI)	BVI	–	100	–
CATS - Philippine Branch	Philippines	–	100	–
Remec Broadband Wireless Real Property (RBWRP)	Philippines	–	100	–

The details of the Parent Company's investments in subsidiaries as of December 31 follow:

	2016	2015
CEC	**$2,990,749**	$2,990,749
CEIC	**2,990,750**	2,990,750
	$5,981,499	$5,981,499

CEC manufactures standard integrated circuits, discrete, hybrid and potential new packages and provides complete turnkey solutions that include wafer probing, wafer back grinding, assembly and packaging and final testing of semiconductor devices. CEIC sells integrated circuits principally in the United States of America and assigns the production of the same to CEC. CATS - Philippine Branch is primarily engaged in the manufacture, fabrication and design of microwave and millimeter wave components and subsystems primarily for export.

7. AFS Financial Asset

The Parent Company's AFS financial asset pertains to the unquoted investment in CloudMondo, Ltd. which is acquired at a cost of $1,667,000 in 2015.

8. Accrued Expenses

	2016	2015
Accrued interest	**$100,670**	$77,085
Accrued professional fees	**56,389**	56,366
	$157,059	$133,451

9. Short-term Loans

On September 23, 2015, the Parent Company entered into a loan agreement with RCBC for a 180-day dollar-denominated loan amounting to $2,900,000, subject to an interest rate of 2.25% per annum. In 2016, total payments for the loan amounted to $290,000. The Parent Company renewed the loan upon maturity.

On October 26, 2015, the Parent Company obtained an additional 360-day dollar-denominated loan amounting to $1,600,000 from RCBC subject to 2.25% interest per annum. The Parent Company renewed the loan upon maturity.

On September 26, 2016, the Parent Company obtained an additional 360-day dollar denominated loan amounting to $4,642,857 from RCBC subject to 2.50% interest per annum.

As of December 31, 2016 and 2015, the outstanding balance of short-term loans amounted to $8,852,857 and $4,500,000, respectively.

Interest expense incurred from these short-term loan facilities amounted to $132,094 and $22,594 in 2016 and 2015, respectively.

10. Long-term Debt

	2016	2015
Principal	**$44,250,000**	$17,750,000
Less deferred financing costs	**(390,029)**	(154,780)
	43,859,971	17,595,220
Less current portion - net of deferred financing costs amounting to $272,155 in 2016 and $71,699 in 2015	**(6,882,126)**	(3,433,849)
	$36,977,845	$14,161,371

On July 25, 2012, the Parent Company entered into a $10.0 million Notes Facility Agreement (NFA) with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on Issue Date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue Date. The remaining 70% of the loan outstanding on issue date is payable in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

On July 25, 2012, CEC and CEIC signed their respective Suretyship Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). Under this agreement, the Surety, solidarily with the Parent Company, binds itself to the Finance Parties, to perform and pay any and all obligations under the NFA.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

In accordance with the NFA, the following ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not, at any time, be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

The debt service coverage ratio shall be tested annually based on the Issuer's most recent audited consolidated financial statements.

On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue date. The remaining 70% of the loan outstanding on issue date is payable in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

In accordance with the NFA, the following ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not, at any time, be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

The debt service coverage ratio shall be tested annually based on the Issuer's most recent audited consolidated financial statements.

On September 20, 2016, the Parent Company entered into a $30.0 million NFA with BPI (Initial Note holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 4.0% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used for capital expenditures, including production facilities and to refinance existing debt obligation and for working capital requirement.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until the end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

On September 20, 2016, CEC signed Suretyship Agreement with with Bank of the Philippine Islands (BPI) (Initial Holder), acting through its Asset Management and Trust Group (Facility and Paying Agent) and BPI (Arranger). Under this agreement, the Surety, solidarily with the Parent Company, binds itself to the Finance Parties, to perform and pay any and all obligations under the NFA.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000, the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

In accordance with the NFA, the following ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not, at any time, be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

The debt service coverage ratio shall be tested annually based on the Issuer's most recent audited consolidated financial statements.

The Parent Company is in compliance with the debt covenants as of December 31, 2016 and 2015.

Total interest expense charged to the parent company statements of comprehensive income amounted to $1,002,868 and $757,709 in 2016 and 2015, respectively.

The movement of deferred financing cost is as follows:

	2016	2015
Unamortized deferred financing cost at beginning	**$154,780**	$65,320
Transaction costs recognized	**321,605**	161,159
Amortization of deferred financing cost	**(86,356)**	(71,699)
Unamortized deferred financing cost at year end	**$390,029**	$154,780

11. Related Party Disclosures

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships.

In the normal course of business, the Parent Company has entered into transactions with affiliates. The significant transactions consist of the following:

a. Working capital advances to subsidiaries
b. Rental of office space from CEC
c. Payments and reimbursements of expenses made and in behalf of the subsidiaries
d. Guaranty
e. Dividends received from CEC

The parent company balance sheets and parent company statements of comprehensive income include the following significant account balances resulting from the above transactions with the related parties:

a. Amounts owed by related parties

		Amount		Outstanding Balances			
		2016	2015	**2016**	2015	Terms	Conditions
Subsidiaries							
CEC	Working capital advances	**$49,566,534**	$3,396,780	**$81,335,790**	$31,769,256	Due and demandable; non-interest bearing	Unsecured, no impairment
	Dividends	**4,820,000**	3,050,000	–	–	Due and demandable; non-interest bearing	Unsecured, no impairment
CEIC	Working capital advances	–	–	**9,000,000**	9,000,000	Due and demandable; non-interest bearing	Unsecured, no impairment
Other related party							
CHI	Result of assignments and settlement in 2011	–	–	**1,809,256**	1,809,256	Due and demandable; non-interest bearing	Unsecured, no impairment

(Forward)

		Amount		Outstanding Balances			
		2016	2015	**2016**	2015	Terms	Conditions
Jerry Liu	Advances	**$3,672,547**	$2,114,315	**$5,786,862**	$2,114,315	Due and demandable; non-interest bearing	Unsecured, no impairment
				$97,931,908	$44,692,827		

b. Amounts owed to related parties

		Amount		Outstanding Balances			
		2016	2015	**2016**	2015	Terms	Conditions
Subsidiaries							
CEC	Rental of office space	**$193**	$511	**$10**	$203	Due and demandable; non-interest bearing	Unsecured
	Payments and reimbursement of expenses made in behalf of CHPC	**9,672,644**	13,477,519	**17,597,856**	7,925,222	Due and demandable; non-interest bearing	Unsecured
CEIC	Result of assignments and settlement in 2011; payment	–	–	**2,339,865**	2,339,865	Due and demandable; non-interest bearing	Unsecured
				$19,937,731	$10,265,290		

The above related parties, except Jerry Liu, are entities under common control of the ultimate parent company. Jerry Liu is a stockholder and the chairman of the Parent Company's BOD.

Transaction with CHI and officer
The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.

For purposes of settling outstanding balances with CHPC and Subsidiaries (the "Group") and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling $3.6 million representing unpaid advances of $2.3 million and dividends of $1.3 million as of March 17, 2011 (see Note 14).

Thereafter, on March 18, 2011, the Parent Company and CHI, in view of being creditors and debtors to each other as a result of the assignment agreements above, entered into a set-off agreement for the value of the Group's liability aggregating $6.8 million. The amount represents the above mentioned total liability of $3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to $3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of December 31, 2016 and 2015 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

Suretyship agreements
On July 25, 2012, CEC and CEIC signed their respective Suretyship Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). Under this agreement, the Surety, solidarily with the Parent Company, binds itself to the Finance Parties, to perform and pay any and all obligations under the NFA (see Note 10).

On September 20, 2016, CEC signed Suretyship Agreement with with Bank of the Philippine Islands (BPI) (Initial Holder), acting through its Asset Management and Trust Group (Facility and Paying Agent) and BPI (Arranger). Under this agreement, the Surety, solidarily with the Parent Company, binds itself to the Finance Parties, to perform and pay any and all obligations under the NFA (see Note 10).

The accounting and administrative functions are provided by CEC at no cost to the Parent Company.

12. General and Administrative Expenses

	2016	2015
Management fees	**$103,898**	$64,278
Professional fees	**61,561**	111,946
Service fee	**50,478**	14,188
Taxes and licenses	**20,651**	102,954
Depreciation	**16,939**	–
Advertising	**7,147**	15,050
Office supplies	**4,458**	2,914
Marketing fee	**–**	10,000
Penalties	**–**	6,169
Others	**12,908**	13,303
	$278,040	$340,802

13. Income Taxes

a. There was no provision for current income tax in 2016 and 2015 because of the Parent Company's taxable loss position. The Parent Company is subjected to MCIT effective 2015.

b. The Parent Company has no provision for income tax as shown below:

	2016	2015
Income tax at statutory tax rate	**$1,101,144**	$730,166
Additions to (reduction in) income tax:		
Dividend income exempt from income tax	**(1,446,000)**	(915,000)
Carryforward benefits of NOLCO and unrealized foreign exchange losses for which no deferred income tax assets were recognized in the current year	**442,002**	160,307
Interest income subject to final tax	**(107,464)**	(102,958)
Nondeductible expense	**38,424**	127,485
Foreign currency translation adjustment	**(28,106)**	–
Provision for income tax	**$–**	$–

c. The following are the Parent Company's deductible temporary differences for which no deferred income tax assets have been recognized as management believes it is not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized:

	2016	2015
NOLCO	**$3,288,743**	$2,741,201
Unrealized foreign exchange losses	**143,589**	43,221

d. As of December 31, 2016 and 2015, NOLCO that can be claimed as deduction from future taxable income follows:

Year incurred	Balances as of December 31, 2015	Additions	Applied	Expired	Balance as of December 31, 2016	Tax effect	Available until
2013	$782,210	$–	$–	$782,210	$–	$–	2016
2014	952,273	–	–	–	952,273	285,682	2017
2015	1,006,718	–	–	–	1,006,718	302,015	2018
2016	–	1,329,752	–	–	1,329,752	398,926	2019
	$2,741,201	$1,329,752	$–	$782,210	$3,288,743	$986,623	

14. **Equity**

a. Common Shares

The rollforward of the capital stock of the Parent Company follows:

	2016	2015
Number of shares		
Authorized - common shares (₱1.00 par value)	**560,000,000**	560,000,000
Issued		
Beginning of year	**419,063,353**	308,239,419
Stock dividend - issued and distributed	**–**	30,823,934
Issuance of stock	**–**	80,000,000
End of year	**419,063,353**	419,063,353
Amount		
Issued - 419,063,353 shares	**$9,594,321**	$9,594,321

On November 18, 2011, the Parent Company listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million ($6.8 million). The Parent Company incurred transaction costs incidental to the IPO amounting to ₱47.3 million ($1.1 million), which is charged against "Additional paid-in capital" in 2011 balance sheet.

On May 25, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved and ratified to stock dividend payable to stockholders as of record as of June 8, 2012, distributed on June 29, 2012.

On September 14, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders of record as of December 21, 2012, distributed on January 10, 2013. On December 7, 2012, the stockholders approved the twenty percent (20%) stock dividend.

On January 16, 2013, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved the stock dividend payable to stockholders of record as of March 15, 2013, distributed on April 5, 2013.

On January 29, 2014, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting dated July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014 and payment date of August 20, 2014.

On March 24, 2015, the BOD also declared a ten (10%) stock dividend. On May 12, 2015, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of May 26, 2015 and payment date of June 18, 2015.

On March 24, 2015, the Parent Company's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of ₱1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share.

The BOD also authorized the Parent Company to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

On July 22, 2015, the Philippine SEC approved the Company's application to increase its authorized capital stock.

On November 4, 2015, the Parent Company's FOO was completed. The Parent Company issued 80,000,000 new shares at issue price of ₱20 per share for a total amount of $34.2 million. The Parent Company incurred transactions costs incidental to FOO amounting to $1.2 million which is charged against "Additional paid-in capital" in 2015 balance sheet. As of December 31, 2015, unpaid stock issue costs amounted to $17,728 recorded under "Accrued expenses" account.

On October 24, 2016, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱1,440,000,000 or from ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share ("Preferred A" shares), to ₱2,000,000,000 divided into 1,400,000,000 common shares with a par value of ₱1.00 per share and 600,000,000 preferred shares classified into ₱140,000,000 "Preferred A" with a par value of ₱1.00 per share, and ₱460,000,000 worth of new preferred shares, the par values, series, classes, preferences, convertibility voting rights and other features of which shall be determined by the Parent Company's BOD. The stockholders have yet to vote on these matters as of April 12, 2017.

As of December 31, 2016 and 2015, the Parent Company has a total number of 25 and 19 stockholders, respectively.

b. Preferred Shares

	2016	2015
Number of shares		
Authorized - preferred shares (₱0.10 par value)	**400,000,000**	400,000,000
Subscribed	**400,000,000**	400,000,000
Amount		
Subscribed - 400,000,000 shares (net of subscriptions receivable amounting to $663,717)	**$221,239**	$221,239

In 2015, the 400,000,000 preferred shares at par value of ₱0.10 were subscribed by Camerton Inc. (Camerton), a principal shareholder of the Parent Company. As of December 31, 2016 and 2015, unpaid subscriptions amounted to $663,717.

The features of the preferred shares are (i) full voting rights, one vote for each share; (ii) preferred non-cumulative cash dividends at the rate of 1% of their par value per year, with no participation in further cash dividends which may be declared and paid to the common shares or any other class or series of shares; and (iii) the same stock dividends which may be declared and paid to the common shares or any other class or series of shares.

c. Retained Earnings

On February 23, 2015, the Parent Company's BOD approved the declaration of cash dividends of $1,200,000 million or $0.003893 per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at Bangko Sentral ng Pilipinas (BSP) exchange rate one day before payment date.

On August 10, 2015, the Parent Company's BOD approved the declaration of cash dividends of $891,200 or $0.002628 per share for each of 339,063,353 fully paid and issued common shares and $8,800 or $0.000022 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $900,000, for payment and distribution on August 28, 2015 to shareholders of record of August 25, 2015. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 28, 2016, the Parent Company's BOD approved the declaration of cash dividends of $0.0050 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $2,100,000, for payment and distribution on February 29, 2016 to shareholders of record of February 12, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On June 9, 2016, the Parent Company's BOD approved the declaration of cash dividends of $0.00362 per share for each of 419,063,353 fully paid and issued common shares and $0.000001 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,520,000, for payment and distribution on July 7, 2016 to shareholders of record of June 23, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

15. **Financial Risk Management Objectives and Policies**

The Parent Company's principal financial instruments comprise of cash in banks and cash equivalents. The main purpose of these financial instruments is to support the Parent Company's operation. The Parent Company has various other financial instruments such as trade and other amounts owed by related parties, financial asset at FVPL, AFS financial asset, accrued expenses, amounts owed to related parties short-term loans and long-term debt which generally arise directly from its operations.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Parent Company.

The main risks arising from the financial instruments of the Parent Company are credit risk, liquidity risk and foreign currency risk. The Parent Company's management reviews and approves policies for managing each of these risks and they are summarized below.

Credit risk

Credit risk is the risk that the Parent Company will incur a loss because its counterparties failed to discharge their contractual obligations.

The Parent Company deals only with recognized, creditworthy third parties. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

Credit quality per class of financial instrument follows:

December 31, 2016

	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Sub-standard Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and cash equivalents	**$13,322,629**	**$–**	**$–**	**$–**	**$–**	**$13,322,629**
Amounts owed by related parties	**97,931,908**	**–**	**–**	**–**	**–**	**97,931,908**
AFS financial asset	**1,667,000**	**–**	**–**	**–**	**–**	**1,667,000**
	$112,921,537	**$–**	**$–**	**$–**	**$–**	**$112,921,537**

December 31, 2015

	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Sub-standard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents	$17,260,582	$–	$–	$–	$–	$17,260,582
Financial asset at FVPL	8,767,580	–	–	–	–	8,767,580
Amounts owed by related parties	44,692,827	–	–	–	–	44,692,827
AFS financial asset	1,667,000	–	–	–	–	1,667,000
	$72,387,989	$–	$–	$–	$–	$72,387,989

The Parent Company's financial assets are categorized based on the Parent Company's collection experience with the third parties as follows:

- High Grade - settlements are obtained from counterparty following the terms of the contracts without much collection effort
- Standard Grade - some reminder follow-ups are performed to obtain settlement from the counterparty
- Sub-standard Grade - constant reminder follow-ups are performed to collect accounts from counterparty
- Impaired - difficult to collect with some uncertainty as to collectibility of the accounts

Liquidity risk
Liquidity risk is the risk that the Parent Company may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risk may result from a counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Parent Company maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The table below summarizes the maturity analysis of the Parent Company's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

December 31, 2016

	Less than 3 months	3 to 12 months	More than 1 year but less than 5 years	Total
Financial Liabilities				
Amounts owed to related parties	**$19,937,731**	**$–**	**$–**	**$19,937,731**
Accrued expenses*	**56,380**	**–**	**–**	**56,380**
Short-term loans	**–**	**8,852,857**	**–**	**8,852,857**
Long-term debt**	**2,318,729**	**6,186,185**	**41,029,760**	**49,534,674**
	$22,312,840	**$15,039,042**	**$41,029,760**	**$78,381,642**
Financial Assets				
Cash and cash equivalents	**$13,322,629**	**$–**	**$–**	**$13,322,629**
Amounts owed by related parties	**97,931,908**	**–**	**–**	**97,931,908**
	$111,254,537	**$–**	**$–**	**$111,254,537**

**Excluding statutory liabilities*
***Includes future interest payments*

December 31, 2015

	Less than 3 months	3 to 12 months	More than 1 year but less than 5 years	Total
Financial Liabilities				
Amounts owed to related parties	$10,265,290	$–	$–	$10,265,290
Accrued expenses*	37,950	–	–	37,950
Short-term loans	2,900,000	1,600,000	–	4,500,000
Long-term debt**	642,260	3,421,347	14,982,816	19,046,423
	$13,845,500	$5,021,347	$14,982,816	$33,849,663
Financial Assets				
Cash and cash equivalents	$17,260,582	$–	$–	$17,260,582
Financial asset at FVPL	–	8,767,580	–	8,767,580
Amounts owed by related parties	44,692,827	–	–	44,692,827
	$61,953,409	$8,767,580	–	$70,720,989

**Excluding statutory liabilities*
***Includes future interest payments*

Foreign currency risk
The Parent Company uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements, primarily in Philippine Peso currency. The Parent Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Parent Company's income before income tax as of December 31:

2016	**Foreign Currency appreciates by**	**Effect on Income Before Tax**	**Foreign Currency depreciates by**	**Effect on Income Before tax**
Peso denominated assets	**+6%**	**($32,118)**	**-6%**	**$32,118**
Peso denominated liabilities	**+6%**	**3,187**	**-6%**	**(3,187)**
		($28,931)		**$28,931**

2015	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($38,477)	-5%	$38,477
Peso denominated liabilities	+5%	378,962	-5%	(378,962)
		$340,485		($340,485)

The change in currency rate is based on the Parent Company's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Parent Company's equity other than those already affecting income before tax.

Capital Management
The primary objective of the Parent 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 Parent Company manages its capital structure, which pertains to amounts owed from related parties and equity as shown in the balance sheet and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

16. **Fair Value of Financial Instruments**

The following table sets out the comparison by category of carrying amounts and fair values of all the Parent Company's financial instruments:

December 31, 2016

	Carrying Amount	**Fair Value**
Financial assets		
Loans and receivables:		
Cash and cash equivalents	**$13,322,629**	**$13,322,629**
Amounts owed by related parties	**97,931,908**	**97,931,908**
	111,254,537	**111,254,537**
AFS financial asset	**1,667,000**	**1,667,000**
	$112,921,537	**$112,921,537**
Financial liabilities		
Other financial liabilities:		
Amounts owed to related parties	**$19,937,731**	**$19,937,731**
Accrued expenses*	**56,380**	**56,380**
Short-term loans	**8,852,857**	**8,852,857**
Long-term debt	**43,859,971**	**43,859,971**
	$72,706,939	**$72,706,939**

**Excluding statutory liabilities*

December 31, 2015

	Carrying Amount	Fair Value
Financial assets		
Loans and receivables:		
Cash and cash equivalents	$17,260,582	$17,260,582
Financial asset at FVPL	8,767,580	8,767,580
Amounts owed by related parties	44,692,827	44,692,827
Interest receivable*	157,786	157,786
	70,878,775	70,878,775
AFS financial asset	1,667,000	1,667,000
	$72,545,775	$72,545,775
Financial liabilities		
Other financial liabilities:		
Amounts owed to related parties	$10,265,290	$10,265,290
Accrued expenses**	37,950	37,950
Short-term loans	$4,500,000	$4,500,000
Long-term debt	17,595,220	17,595,220
	$32,398,460	$32,398,460

**Presented as other current assets in the 2015 parent company balance sheet*

***Excluding statutory liabilities*

Fair Values of Financial Instruments
Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's-length transaction, other than in a forced liquidation or sale.

Cash and cash equivalents, interest receivable, amounts owed by and owed to related parties, short-term loans and accrued expenses (excluding statutory liabilities)
The carrying amounts approximate their fair values since these are mostly short-term in nature or are due and demandable.

Financial asset at FVPL
The investment in RCBC Senior Notes classified as financial asset at FVPL is stated at its fair values based on the quoted prices in an active market (Level 1).

AFS financial asset
The fair value of investment in CloudMondo, Ltd. cannot be reliably measured as it is not traded in the financial market. Hence, the investment is carried at cost.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 4.01% to 4.29% and 3.63% to 4.01% in 2016 and 2015, respectively.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

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

Only the financial asset at FVPL, which is classified under Level 1, is measured and carried at fair value. There were no transfers made in the fair value measurements in 2016 and 2015.

17. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying tax returns. It includes provisions for additional disclosure requirements in the notes to the parent company financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

a. Output VAT

   The Parent Company did not earn any income subject to output VAT in 2016.

b. Input VAT

   The Parent Company did not record any input VAT arising from purchases of services in 2016.

c. Taxes on Importation

The Parent Company has not paid or accrued any custom duties and tariff fees as it has no importations in 2016.

d. Excise Tax

The Parent Company did not have any transactions in 2016 that are subject to excise tax.

e. Documentary Stamp Tax

The Company did not incur any documentary stamp tax (DST) in 2016 as it did not execute any documents, instruments, loan agreements and paper evidencing the acceptance, assignment, sale or transfer of an obligation, and any right or property

f. Withholding taxes

Total expanded withholding tax paid amounted to ₱719,600 in 2016.

g. Taxes and Licenses, local and national, include licenses and permit fees for 2016:

Business permit	₱950
Registration fees	500
Others	200,826
	₱202,276

Taxes and licenses, local and national, include licenses and permit fees amounted to ₱981,754 in 2016.

h. Deficiency Tax Assessments and Tax Cases

As of December 31, 2016, the Parent Company does not have any final deficiency tax assessments from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside of the BIR in any of the open years.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and Stockholders
Cirtek Holdings Philippines Corporation
116 East Main Avenue
Phase V-SEZ
Laguna Technopark
Biñan, Laguna

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Cirtek Holdings Philippines Corporation as at and for the years ended December 31, 2016 and 2015, and have issued our report thereon dated April 12, 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 Effective Standards and Interpretations and Reconciliation of Retained Earnings Available for Dividend Declaration are the responsibility of the Parent Company's management. These schedules are presented for purposes 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 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.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-A (Group A),
October 1, 2015, valid until September 30, 2018
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2015,
March 4, 2015, valid until March 3, 2018
PTR No. 5908679, January 3, 2017, Makati City

April 12, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

Unappropriated retained earnings, as adjusted, beginning		$405,556
Add: Net income actually earned/realized during the period		
Net income during the period closed to retained earnings	$3,670,480	
Add: Non-actual losses	–	
Less: Non-actual/unrealized income net of tax	–	
Net income actually earned during the period		**3,670,480**
Unappropriated retained earnings, as adjusted, ending		4,076,036
Less: Cash dividends declared		(3,620,000)
Retained earnings available for dividend declaration		**$456,036**

CIRTEK HOLDINGS PHILIPPINES CORPORATION
SUPPLEMENTARY SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS 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			✓
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*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Parent Company did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
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*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Changes in Method of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8 : Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Asset			✓
PFRS 9	Financial Instruments*		✓	

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13 : Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
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, Disclosure Initiative	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
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: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and 38: Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
	Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*		✓	
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	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early 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 15	Agreements for the Construction of Real Estate*			✓
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	✓		

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2016. The Parent Company did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Early Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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