CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Cirtek Holdings Philippines Corporation (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JERRY LIU
Chairman of the Board

ROBERTO JUANCHITO T. DISPO
Vice Chairman/President

CARLOS M. GACUSANA, JR.
Deputy Chief ~~Finance~~ Officer

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Revenue Officer I

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

FILED FILING WITH SEC
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STAMPED "RECEIVED."

SEC Registration Number

C S 2 0 1 1 0 2 1 3 7

COMPANY NAME

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	CRMD	N/A

COMPANY INFORMATION

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)
26	5/31	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
Roberto Juanchito T. Dispo	jojo.dispo@cirtek.com	(049) 541-2310	(0917) 535 6708

CONTACT PERSON's ADDRESS

124 Guava Drive, Ayala Alabang Village, Muntinlupa City

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the 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, 2018 and 2017, 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, 2018 and 2017, 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.

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Revenue Officer I

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

SGV

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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 18 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 parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

May 3, 2019

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CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31 2018	December 31 2017
ASSETS		
Current Assets		
Cash	**$6,493,397**	$16,698,306
Amounts owed by related parties (Note 9)	**148,897,429**	135,912,098
Other current assets	**17,705**	5,293
Total Current Assets	**155,408,531**	152,615,697
Noncurrent Assets		
Equity investment at fair value through other comprehensive income (FVTOCI) (Note 5)	**–**	–
Available-for-sale (AFS) financial asset (Note 5)	**–**	1,667,000
Investments in subsidiaries (Note 4)	**89,134,452**	89,134,452
Property and equipment	**33,878**	50,818
Total Noncurrent Assets	**89,168,330**	90,852,270
TOTAL ASSETS	**$244,576,861**	$243,467,967
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other payables (Note 6)	**$943,994**	$433,634
Short-term loans (Note 7)	**15,210,000**	43,972,000
Current portion of long-term debt - net of deferred financing costs (Note 8)	**10,865,751**	3,893,270
Income tax payable (Note 11)	**201,584**	–
Dividends payable (Note 12)	**20,601**	–
Deposit for future stock subscription (Note 12)	**189,107**	–
Amounts owed to related parties (Note 9)	**40,582,902**	49,575,439
Total Current Liabilities	**68,013,939**	97,874,343
Noncurrent Liability		
Long-term debt - net of current portion and deferred financing costs (Note 8)	**61,940,920**	33,084,575
Total Liabilities	**129,954,859**	130,958,918
Equity		
Common stock (Note 12)	**9,594,321**	9,594,321
Preferred stock - net of subscriptions receivable (Note 12)	**2,615,995**	2,037,113
Additional paid-in capital (Note 12)	**100,469,659**	100,469,659
Net changes in fair value of equity investment at FVTOCI (Note 5)	**(1,667,000)**	–
Retained earnings (Note 12)	**3,609,027**	407,956
Total Equity	**114,622,002**	112,509,049
TOTAL LIABILITIES AND EQUITY	**$244,576,861**	$243,467,967

See accompanying Notes to Parent Company Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
DIVIDEND INCOME (Notes 4 and 9)	**$15,900,000**	$8,460,000
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**(509,279)**	(1,961,017)
FINANCIAL INCOME (EXPENSES)		
Interest expense (Notes 7 and 8)	**(3,820,613)**	(2,812,114)
Interest income	**11,154**	22,391
	(3,809,459)	(2,789,723)
OTHER INCOME (CHARGES) - Net		
Foreign exchange gains (losses) - net	**(183,138)**	27,829
Bank charges	**(937)**	(25,169)
Others (Note 12)	**79,202**	–
	(104,873)	2,660
INCOME BEFORE TAX	**11,476,389**	3,711,920
PROVISION FOR INCOME TAX - Current (Note 11)	**(201,584)**	–
NET INCOME	**11,274,805**	3,711,920
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME	**$11,274,805**	$3,711,920
Basic/Diluted Earnings Per Share (Note 13)	**$0.017**	$0.008

See accompanying Notes to Parent Company Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock (Note 12)			Additional Paid-in Capital (Note 12)	Net Changes in Fair Value of Equity Investment at FVTOCI (Note 5)	Retained Earnings	Total
	Common Stock	Preferred Stock	Subtotal				
BALANCES AT DECEMBER 31, 2016	**$9,594,321**	**$221,239**	**$9,815,560**	**$35,896,893**	**$–**	**$456,036**	**$46,168,489**
Net income/total comprehensive income	–	–	–	–	–	3,711,920	3,711,920
Issuance of preferred stock (Note 12)	–	1,815,874	1,815,874	65,673,267	–	–	67,489,141
Stock issue costs (Note 12)	–	–	–	(1,100,501)	–	–	(1,100,501)
Cash dividends declared (Note 12)	–	–	–	–	–	(3,760,000)	(3,760,000)
BALANCES AT DECEMBER 31, 2017	**$9,594,321**	**$2,037,113**	**$11,631,434**	**$100,469,659**	**$–**	**$407,956**	**$112,509,049**
BALANCES AT JANUARY 1, 2018	**$9,594,321**	**$2,037,113**	**$11,631,434**	**$100,469,659**	**$–**	**$407,956**	**$112,509,049**
Effect of adoption of new standard (Note 5)	–	–	–	–	(1,667,000)	–	(1,667,000)
BALANCES AS AT JANUARY 1, 2018, AS ADJUSTED	**9,594,321**	**2,037,113**	**11,631,434**	**100,469,659**	**(1,667,000)**	**407,956**	**110,842,049**
Net income/total comprehensive income	–	–	–	–	–	11,274,805	11,274,805
Collection of subscription receivable (Note 12)	–	578,882	578,882	–	–	–	578,882
Cash dividends declared (Note 12)	–	–	–	–	–	(8,073,734)	(8,073,734)
BALANCES AT DECEMBER 31, 2018	**$9,594,321**	**$2,615,995**	**$12,210,316**	**$100,469,659**	**($1,667,000)**	**$3,609,627**	**$114,622,002**

See accompanying Notes to Parent Company Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$11,476,389**	$3,711,920
Adjustments for:		
Dividend income (Note 9)	**(15,900,000)**	(8,460,000)
Interest expense (Notes 7 and 8)	**3,820,613**	2,812,114
Interest income	**(11,154)**	(22,391)
Unrealized foreign exchange loss (gain) - net	**66,667**	(13,993)
Depreciation	**16,939**	16,939
Operating loss before working capital changes	**(530,546)**	(1,955,411)
Increase in other current assets	**(12,279)**	–
Decrease in accrued expenses and other payables	**(6,711)**	(24,802)
Cash used in operations	**(549,536)**	(1,980,213)
Dividends received	**5,900,000**	8,460,000
Interest received	**11,154**	22,391
Net cash from operating activities	**5,361,618**	6,502,178
CASH FLOWS FROM AN INVESTING ACTIVITY		
Additional investment in a subsidiary (Note 4)	–	(81,303,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term loans	**11,238,000**	68,514,857
Collection of subscription receivable (Note 12)	**578,882**	–
Deposit for future stock subscription (Note 12)	**189,107**	–
Issuance of preferred stock (Note 12)	–	67,489,141
Net movements in amounts owed by and owed to related parties	**(20,031,002)**	(10,192,223)
Payments of:		
Short-term loans (Note 7)	–	(33,395,714)
Long-term debt (Note 8)	**(4,000,000)**	(7,000,000)
Debt issuance costs (Note 8)	**(300,274)**	–
Interest (Notes 7 and 8)	**(3,174,172)**	(2,722,921)
Cash dividends (Note 12)	–	(3,760,000)
Stock issue costs (Note 12)	–	(775,635)
Net cash flows from (used in) financing activities	**(15,499,459)**	78,157,505
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(67,068)**	19,206
NET INCREASE (DECREASE) IN CASH	**(10,204,909)**	3,375,677
CASH AT BEGINNING OF YEAR	**16,698,306**	13,322,629
CASH AT END OF YEAR	**$6,493,397**	$16,698,306

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information and Authorization for the Issuance of Parent Company Financial Statements

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's corporate life is 50 years ending from the date of its incorporation.

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.

The Company has no employees as of December 31, 2018 and 2017. The accounting and administrative functions of the Parent Company are handled by CEC.

The registered office address of the Parent Company is 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

Incorporation of Cirtek Corporation and Cirtek Cayman Ltd.

Cirtek Corporation was incorporated on July 7, 2017 under the laws of Delaware, USA, to engage in lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware. Cirtek Corporation was established to implement the Agreement and Plan of Merger ("Agreement") between the Parent Company and Quintel Cayman Ltd. ("Quintel") under which Quintel will be a wholly-owned subsidiary of Cirtek Corporation. Cirtek Corporation is a wholly owned subsidiary of CEIC.

In the same period, CCL was incorporated in the Cayman Islands. CCL is a wholly owned subsidiary of Cirtek Corporation and was merged with Quintel Cayman Ltd. ("Quintel") in accordance with the Agreement and Plan of Merger ("Agreement") between the Group and the previous stockholders of Quintel.

Acquisition of Quintel

On July 28, 2017, the Parent Company's Board of Directors (BOD) approved the acquisition of Quintel and its subsidiaries for $83.2 million. Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

In accordance with the Agreement, CCL was merged with Quintel, with Quintel as the surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from the Parent Company and Cirtek Corporation for a total value of $83.2 million. As a result of the merger, each of CCL's 100 issued and outstanding shares shall be converted into and exchanged for one (1) validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished. Quintel, being the surviving company, retains the 100 shares originally issued by CCL as its ending capital stock.

On August 4, 2017, the Assistant Registrar of Companies for the Cayman Islands issued a Certificate of Merger stating that the companies have merged effective on said date with Quintel as the surviving corporation.

Authorization for the Issuance of Parent Company Financial Statements
The parent company financial statements as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issuance by the BOD on May 3, 2019.

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 certain equity instrument which is carried at fair value. The parent company financial statements are presented in United States (US) dollars ($), 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) as issued by the Financial Reporting Standards Council (FRSC). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Interpretations issued based on International Financial Reporting Interpretations Committee (IFRIC) Interpretations issued by the Philippine Interpretations Committee.

The Parent Company also prepares and issues consolidated financial statements for the same period as the parent company 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 pronouncements starting January 1, 2018. Unless otherwise indicated, the adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*, 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property,* 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*, 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

  PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

  The Parent Company adopted PFRS 15 using the modified retrospective approach of adoption with January 1, 2018 as the date of initial application. Under this method, the standard can be applied either to all contracts at date of initial application or only to contracts that are not completed at the date of initial application. The Company elected to apply the standard to all contracts as of January 1, 2018.

  The Parent Company assessed no material impact in adopting the new revenue standard.

- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  The Parent Company applied PFRS 9 using the modified retrospective method, with an initial application date of January 1, 2018. The Parent Company has not restated the comparative information, which continues to be reported under PAS 39.

  The impact of the adoption is described below:

  Classification and measurement
  Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost or FVTOCI. The classification is based on two criteria: the Parent Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

  The assessment of the Parent Company's business model was made as of the date of initial application, January 1, 2018, and then applied to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

  Financial assets previously carried at amortized cost continue to be carried at amortized cost under PFRS 9. While, financial assets previously held at fair value under PAS 39, continue to be measured at fair value under PFRS 9.

  The following are the changes in the classifications of the Parent Company's financial assets.

  a. Cash and amounts owed by related parties previously classified as "Loans and receivables" are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments financial assets to be measured at amortized cost.

  b. Equity investment classified as AFS financial asset as at December 31, 2017 is classified and measured as equity instrument designated at FVTOCI beginning January 1, 2018. The Parent Company elected to classify irrevocably its equity investment under this category at the date of initial application as it intends to hold this investment for the foreseeable future. There were no impairment losses recognized in profit or loss for this investment in prior periods.

     As at January 1, 2018, the Parent Company recognized a reduction of net changes in fair value of equity investment at FVTOCI amounting to $1,667,000.

  c. The Parent Company has not designated any financial assets and liabilities at FVTPL. The adoption of PFRS 9 did not result to changes to the classification and measurement of financial liabilities. All of the Parent Company's financial liabilities are classified and measured at amortized cost.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018, is as follows:

		PFRS 9 measurement category		
PAS 39 measurement category	Total	FVTPL	FVTOCI	Amortized cost
Loans and receivables				
Cash	$16,698,306	$–	$–	$16,698,306
Amounts owed by related parties	135,912,098	–	–	135,912,098
AFS financial asset*	1,667,000	–	1,667,000	–
	$154,277,404	$–	$1,667,000	$152,610,404

** As discussed, the Parent Company recognized a reduction of net changes in fair value of equity investment at FVTOCI amounting to $1,667,000 as at January 1, 2018.*

Impairment
The adoption of PFRS 9 has fundamentally changed the Parent Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL and contract assets.

For cash and amounts owed by related parties, management evaluated that these financial assets have low credit risk. Hence, the Parent Company measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Parent Company uses external credit ratings both to determine whether the cash and cash equivalents, other receivables and amounts owed by related parties has significantly increased in credit risk and to estimate ECL.

The adoption of PFRS 9 did not have any significant impact on the Parent Company's provision for impairment on its financial assets as of January 1, 2018.

<u>New Accounting Standards, Amendments to Existing Standards and Interpretation Effective Subsequent to December 31, 2018</u>
The standards, amendments and interpretation which have been issued and are effective as at December 31, 2018 are disclosed below. The Parent Company intends to adopt these standards, amendments and interpretation, if applicable, when they become effective.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PAS 1, *Presentation of Financial Statements, and* PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

The Parent Company continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2018 on the parent company financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the parent company financial statements when these amendments are adopted.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company balance sheet based on current/ noncurrent classification. An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle
- held primarily for the purpose of trading
- expected to be realized within 12 months after the reporting period, or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within 12 months after the reporting period, or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 parent company 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</u>
Cash pertains to cash in banks which earns interest at the respective bank deposit rates.

<u>Financial Instruments - Effective January 1, 2018</u>
Financial assets
Initial recognition and measurements
Financial assets are classified as financial assets measured at amortized cost, FVTPL and FVTOCI.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

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

- *Financial assets at amortized cost* - This category is the most relevant to the Parent Company. The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

  - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

  Financial assets at amortized cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

  As at December 31, 2018, this category includes the Parent Company's cash and amounts owed by related parties.

- *Financial assets designated at FVTOCI (equity instruments)* - Upon initial recognition, the Parent Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under PAS 32 and are not held for trading. The classification is determined on an instrument-by-instrument basis.

  Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognized as other income in the profit or loss when the right of payment has been established, except when the Parent Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVTOCI are not subject to impairment assessment.

  The Parent Company elected to classify irrevocably its non-listed equity investments under this category.

  As at December 31, 2018, this category includes the Parent Company's investment in unquoted equity securities.

- *Financial assets designated at FVTOCI (debt instruments)* - The Parent Company measures debt instruments at FVTOCI if both of the following conditions are met:

  - The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

As of December 31, 2018, the Parent Company has no debt instruments classified as financial assets designated at FVTOCI.

- *Financial assets at FVTPL* - Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are accounted for as financial assets at FVTPL unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVTPL are carried in the parent company balance sheet fair value with net changes in fair value presented as "Unrealized mark-to-market gain" (positive net changes in fair value) or "Unrealized mark-to-market loss" (negative net changes in fair value) in profit or loss.

  As of December 31, 2018, the Parent Company has no debt instruments classified as financial assets designated at FVTPL.

Derecognition
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 right to receive cash flows from the asset has expired; or
- the Parent Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and
- either the Parent Company (a) has transferred substantially all the risks and rewards of the asset, or (b) the Parent Company 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all 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 that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets 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.

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

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

The Parent Company's financial liabilities include accrued expenses and other payables, short-term loans, amounts owed to related parties and long-term debts.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below.

- *Financial liabilities at FVTPL* - Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Parent Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

  Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Parent Company has not designated any financial liability at FVTPL.

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

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

  This category generally applies to interest-bearing loans and borrowings.

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

Impairment of Financial Assets - Effective January 1, 2018
Beginning January 1, 2018, upon adoption of PFRS 9, the Parent Company recognizes an allowance for ECLs for all financial assets except debt instruments held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Parent Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments - Effective Prior to January 1, 2018
Financial assets
Initial recognition
Financial assets within the scope of PAS 39 are classified as either financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, 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 financial assets not recorded at FVTPL, 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, 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 FVTPL
Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or purchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVTPL are carried in the parent company balance sheet at fair value with gains or losses recognized in profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value when their risks and economic characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or designated at FVTPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in profit or loss. 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 or a reclassification of a financial asset out of FVTPL.

Financial assets designated as FVTPL 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.

As of December 31, 2017, the Parent Company does not have any financial asset at FVTPL.

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 at amortized cost using the effective interest method, less impairment. This method uses an effective interest rate (EIR) that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. 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. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. 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.

As of December 31, 2017, the Parent Company's loans and receivables include cash and amounts owed by related parties.

HTM investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Parent Company has the positive intention and ability to hold it to maturity. 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 integral part of the EIR. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017, The Parent Company does not have any HTM investment.

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 OCI until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in profit or loss.

As of December 31, 2017, the Parent Company's AFS financial asset pertains to investment in unquoted equity shares.

Financial liabilities
Initial recognition
Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVTPL, other financial liabilities, 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.

Financial liabilities are recognized initially at fair value and, in the case of financial liabilities not at FVTPL, net of directly attributable transaction costs.

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

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

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

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 Company that do not meet the hedge accounting criteria as defined by PAS 39.

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

The Parent Company does not have a financial liability at FVTPL as of December 31, 2017.

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 measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

As of December 31, 2017, the Parent Company's other financial liabilities include accrued expenses and other payables (excluding statutory liabilities), short-term loans, amount owed to related parties and long-term debt.

Impairment of Financial Assets - Effective Prior to January 1, 2018
The Parent Company assesses, at each balance sheet date, whether there is any objective evidence that 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 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 debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and 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 profit or loss.

Financial assets carried at amortized cost
The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in 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 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 credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss. 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 profit or loss, 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.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability 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 profit or loss 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 profit or loss 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.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment and borrowing cost when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in profit or loss as incurred.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful life of five (5) years. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* and the date the asset is derecognized.

The property and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

Investments in Subsidiaries
A subsidiary is an entity over which the Parent Company has control. Control exists if and only if the Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Investments in subsidiaries are measured initially at cost. Subsequent to initial recognition, investments in subsidiaries are carried in the parent company financial statements at cost less any accumulated impairment losses.

The investments in subsidiaries are derecognized upon disposal or when no future economic benefits are expected to arise from the investments. Gain or loss arising from the disposal is determined as the difference between the sales proceeds and the carrying amount of the investments in subsidiaries and is recognized in profit or loss.

Impairment of Nonfinancial Assets
The Parent Company assesses at each balance sheet date whether there is an indication that a nonfinancial asset may be impaired. The Parent Company has designated its property and equipment and investments in subsidiaries as nonfinancial assets. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Parent Company makes an estimate of the nonfinancial asset's recoverable amount. A nonfinancial asset's estimated recoverable amount is the higher of a nonfinancial asset's or cash-generating unit's (CGU's) fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or group of nonfinancial assets. Where the carrying amount of a nonfinancial asset exceeds its estimated recoverable amount, the nonfinancial asset is considered impaired and is written down to its estimated recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the nonfinancial asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For nonfinancial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the nonfinancial asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the nonfinancial asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the nonfinancial asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock
Capital stock, which consists of common stock and preferred 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 (APIC).

Subscription Receivable
The unpaid portion of the subscribed shares is presented as net of capital stock and is measured at subscription price for all shares subscribed. Subscription receivable is presented as reduction from equity in the parent company balance sheet.

Deposit for Future Stock Subscriptions
Deposit for future stock subscriptions represents the deposit received by the Parent Company from stockholders to subscribe for the portion of the increase in the authorized capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 (As Revised) issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as an account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If the foregoing conditions are not met, the "Deposit for stock subscriptions" is presented as a liability.

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 - Effective January 1, 2018
Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods. The Parent Company has concluded that it is principal in all of its revenue arrangements since it is the primary obligor in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Revenue Recognition - Effective Prior to January 1, 2018
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, value-added 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.

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 effective interest method.

Costs and Expenses Recognition
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).

The 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 profit or loss 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 profit or loss. 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 profit or loss.

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.

Earnings Per Share (EPS)
Basic EPS is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends and stock split.

For the purpose of calculating diluted earnings per share, the net income and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Provisions
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 profit or loss, 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.

Contingencies
Contingent liabilities are not recognized but are disclosed in the notes to parent company financial statements unless the possibility of an outflow of resources embodying economic benefit is remote. Contingent assets are not recognized but are disclosed in the notes to parent company financial statements when an inflow of economic benefit 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 nonfinancial assets
The Parent Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its estimated recoverable amount which is the higher of an asset's fair value less costs to sell and VIU. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Based on management's evaluation, no indication of impairment was noted in the Parent Company's nonfinancial assets as of December 31, 2018 and 2017.

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's AFS financial asset as of December 31, 2017.

<u>Estimates and Assumptions</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.

Fair values of financial instruments
The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, fair values are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The fair values of the financial instruments of the Parent Company are disclosed in Notes 5 and 15 to the parent company financial statements.

Provision of ECL of financial assets at amortized cost (expected credit loss model) - Effective starting January 1, 2018
The Parent Company uses a credit rating mapping to calculate ECLs for cash and amounts owed by related parties.

The assessment involves identifying the credit rating of a debtor provided by a credit rating agency and using a probability of default map that identifies the probability of default (PD) rate for a particular grade and tenor. The Parent Company adjusts the mapped rate with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic income, inflation rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail and consumer product sector, the mapped rates are adjusted.

The assessment of the correlation between PD rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's mapped credit rating and forecast of economic conditions may also not be representative of debtor's actual default in the future.

No allowance for ECL was recognized for cash and amounts owed by related parties in 2018. The carrying value of amounts owed by related parties amounted to $148.9 million as of December 31, 2018 (see Note 9).

Estimating impairment of loans and receivables (incurred loss model) - Effective prior to January 1, 2018
The Parent Company maintains allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this impairment allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Parent Company's relationship with debtors, their payment behavior and known market factors. The Parent Company reviews the age and status of receivable, and identifies accounts that are to be provided with allowance on a continuous basis either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgment or utilized different estimates. An increase in the Parent Company's allowance for impairment would increase the Parent Company's recorded expenses and decrease current assets.

The Parent Company determines allowance for each significant receivable on an individual basis. Among the items that the Parent Company considers in assessing the impairment is the inability to collect from the counterparty based on the contractual terms of the receivables.

For collective assessment, allowance is assessed for receivables that are not individually significant and for individually significant receivables where there is not yet objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

As of December 31, 2017, management has assessed that the cash and amounts owed by related parties are fully recoverable. The carrying value of amounts owed by related parties amounted to $135.9 million as of December 31, 2017 (see Note 9).

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, excess MCIT over RCIT, and unrealized foreign exchange losses can be utilized. Carryforward benefits of NOLCO, excess MCIT over RCIT, and unrealized foreign exchange losses for which no deferred income tax assets were recognized amounted to $1.5 million and $7.1 million as of December 31, 2018 and 2017, respectively (see Note 11).

4. Investments in Subsidiaries

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

		Percentage of Ownership			
	Country of	**2018**		2017	
Subsidiaries	Incorporation	**Direct**	**Indirect**	Direct	Indirect
CEC	Philippines	**100**	–	100	–
CEIC	BVI	**100**	–	100	–
Cirtek Advanced Technologies and Solutions, Inc. (CATS)	BVI	–	**100**	–	100
CATS - Philippine Branch	Philippines	–	**100**	–	100
RBW Realty and Property, Inc.	Philippines	–	**100**	–	100
Quintel	Cayman Islands	–	**100**	–	100
Quintel Technology, Ltd.	United Kingdom	–	**100**	–	100
Quintel USA	United States of America	–	**100**	–	100
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	**100**	–	100

**In the process of dissolution.*

The details of the Parent Company's investments in subsidiaries as of December 31, 2018 and 2017 follow:

CEIC	$86,143,703
CEC	2,990,749
	$89,134,452

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.

Cirtek Corporation was incorporated on July 7, 2017 under the laws of Delaware, USA, to engage in lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware. Cirtek Corporation was established to implement the Agreement under which Quintel will be a wholly-owned subsidiary of Cirtek Corporation (see Note 1).

On July 30, 2017, the Parent Company entered into agreement with CEIC to invest in the latter the amount of $81.3 million, subject to compliance with the following undertakings:

a. Comply with the procedures and requirements provided by the relevant laws in the British Virgin Islands for the increase of CEIC's authorized capital stock, and thereafter increase the capital stock to $90.0 million at $1.0 par value per share; and

b. Upon the increase of the authorized capital stock, issue the stock certificates to the Parent Company for the share equivalent to the additional investment.

In 2018 and 2017, the subsidiaries declared dividends totaling $15.9 million and $8.5 million, respectively (see Note 9).

5. Equity Investment at FVTOCI (previously classified as AFS Financial Asset)

The Parent Company's equity investment at FVTOCI (classified as AFS financial asset as at January 1, 2018) pertains to an investment in unquoted equity shares acquired at a cost of $1.7 million in 2015. The unquoted equity shares are carried at cost amounting to $1.7 million as of December 31, 2017 but has been revalued at its fair value as of January 1, 2018 amounting to nil. The fair value of the equity investment is obtained through market comparable approach (Level 3). The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

The table below shows the rollforward of equity investment at FVTOCI (classified as AFS financial asset in 2017) during the years ended December 31, 2018 and 2017:

	2018	2017
Beginning of year	**$1,667,000**	$1,667,000
Fair value changes recognized directly in equity upon adoption of PFRS 9 (Note 2)	**(1,667,000)**	–
Beginning of year, as adjusted	–	1,667,000
Fair value changes during the year recognized in other comprehensive income	–	–
End of year	**$–**	$1,667,000

In 2018, the fair value of the investment in unquoted equity instrument was based on the adjusted net asset value (NAV) approach. Under the NAV approach, the fair value was derived by determining the fair value of each identifiable assets and liabilities of the investee company. As of December 31, 2018, the investee company is at start-up phase and has not yet commenced operations.

There were no disposals of equity investment in 2018 and 2017.

6. Accrued Expenses and Other Payables

	2018	2017
Accrued interest	**$589,329**	$71,989
Provision for claims	**151,840**	–
Accrued professional fees	**28,349**	352,078
Others	**174,476**	9,567
	$943,994	$433,634

Others pertain to statutory liabilities and are generally payable within 12 months from the balance sheet date.

In January 2019, the Parent Company received a request for explanation from a regulatory agency about previous years' transactions involving the Parent Company's shares. The Parent Company is currently discussing with the regulatory agency, thus the timing of the cash flows from these matters is uncertain as it depends upon the outcome of this discussion. Disclosure on additional details beyond the present disclosures may seriously prejudice the said discussions. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided. Provision for claims recognized as of and for the year ended December 31, 2018 amounted to $0.2 million.

7. Short-term Loans

		2018	2017
China Banking Corporation (CBC)	(a)	**$11,000,000**	$–
Rizal Commercial Banking Corporation (RCBC)	(b)	**4,210,000**	23,972,000
Bank of the Philippine Islands (BPI)	(c)	**–**	20,000,000
		$15,210,000	$43,972,000

a. Revolving loan facilities with CBC, which have payment terms of 180 days, unsecured and charged interest of 5.00% per annum in 2018.

b. Revolving loan facilities with RCBC, which have payment terms of 360 days, unsecured and charged interest of 3.45% and 2.80% per annum in 2018 and 2017, respectively.

c. Revolving loan facilities with BPI, which have payment terms of 360 days, unsecured and charged interest of 3.60% per annum in 2017.

Interest expense incurred from these short-term loan facilities amounted to $1.1 million in 2018 and 2017.

8. Long-term Debt

	2018	2017
Principal	**$73,250,000**	$37,250,000
Less deferred financing costs	**443,329**	272,155
	72,806,671	36,977,845
Less current portion - net of deferred financing costs amounting to $134,249 in 2018 and $106,730 in 2017	**10,865,751**	3,893,270
	$61,940,920	$33,084,575

Movement in deferred financing costs follow:

	2018	2017
Beginning of year	**$272,155**	$390,029
Transaction costs recognized during the year	**300,274**	–
Less amortization	**(129,100)**	(117,874)
End of year	**$443,329**	$272,155

2012 Note Facility Agreement (NFA)
On July 25, 2012, the Parent Company entered into a $10.0 million NFA with MBTC (Initial Note Holder), MBTC - 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.

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 financial 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.

Equity is defined in the agreement as the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Issuer and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments owing, scheduled repayments of principal, interest expenses (including capitalized interest expenses) and fees payable, whether or not actually paid, in respect of any debt, whether or not actually paid.

The NFA was fully paid in 2017.

2014 NFA
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 PFRS 9 (previously PAS 39).

The 2014 NFA follows the same definition and calculation of financial ratios as the 2012 NFA.

The carrying amount of the loan from the 2014 NFA as of December 31, 2018 and 2017 amounted to \$7.0 million and \$8.0 million, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2018 and 2017.

2016 NFA
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 shall be paid 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.

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 PFRS 9 (previously PAS 39).

In accordance with the NFA, the following financial 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.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Issuer and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Group to pay or repay including, without limitation: (i) all obligations of the Group for borrowed money evidenced by promissory notes or other instruments, (ii) all financial obligations of any other person guaranteed by the Group, (iii) all financial obligations of any other person secured by a security upon or in property owned by the Group, whether or not the Group have assumed or become liable for the payment of such financial obligations, and (iv) capitalized lease obligations of the Group which are capitalized in accordance with PFRS.

The carrying amount of the loan from the 2016 NFA as of December 31, 2018 and 2017 amounted to \$26.3 million and \$29.0 million, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2018 and 2017.

2018 NFA
On April 12, 2018, the Parent Company entered into a \$40.0 million NFA with BPI and RCBC (each a "Noteholder" and collectively, the "Noteholders"), RCBC Trust and Investments Group (Facility and Paying Agent) and RCBC Capital Corporation (Issue Manager). The NFA provided for the conversion of the outstanding balance of the Parent Company's short-term bridge loan facilities with the Noteholders amounting to \$20.0 million each Noteholder into long term credit facilities. The NFA provided for the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used to refinance the bridge loan facilities used to acquire the 100% ownership of Quintel.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in 24 equal consecutive quarterly commencing at the end of the 1st year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding on issue date shall be paid in a single balloon payment at maturity date.

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 and in multiples of \$5,000,000 on any interest payment date beginning on the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption was made on a non-interest payment date. The prepayment penalty shall not apply if the redemption is due to: (i) interest costs or (ii) illegality. 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 PFRS 9.

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

- debt to equity ratio shall not, at any time, exceed 70:30;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.15; and
- current ratio shall not, at any time, be less than 1.10

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Issuer and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the result obtained by dividing (i) earnings before deducting interest expense, income tax, depreciation and amortization (EBITDA) and (ii) the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments for: (a) interest and principal payments due under the Agreement in the next twelve (12) months; (b) the principal and interest payments due in the next twelve (12) months of all interest-bearing debt with tenor of more than twelve (12) months, and (c) netting obligations of the Issuer due in the next twelve (12) months under permitted hedging arrangements, if applicable.

The carrying amount of the loan from the 2018 NFA amounted to $40.0 million as of December 31, 2018.

The Parent Company is in compliance with the debt covenants as of December 31, 2018.

Interest Expense
Total interest expense charged to profit or loss amounted to $2.7 million and $1.7 million in 2018 and 2017, respectively.

9. 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 to/from CEC
f. Advances to stockholders and officers

The parent company balance sheets and profit or loss include the following significant account balances resulting from the above transactions with the related parties:

a. Amounts owed by related parties

		Amount		Outstanding Balances			
		2018	2017	2018	2017	Terms	Conditions
Immediate Parent Company							
Cameron, Inc.	Working capital advances	$47,426,643	$–	$47,426,643	$–	Collectible within 2019; noninterest-bearing	Unsecured, no impairment
Subsidiaries							
CEC	Working capital advances	–	–	81,335,790	81,335,790	Due and demandable; noninterest-bearing	Unsecured, no impairment
	Dividend income	5,900,000	8,460,000	–	–	Due and demandable; noninterest-bearing	Unsecured, no impairment
CEIC	Working capital advances	(674,260)	–	8,325,740	9,000,000	Due and demandable; noninterest-bearing	Unsecured, no impairment
	Dividend income	10,000,000	–	10,000,000	–	Due and demandable; noninterest-bearing	Unsecured, no impairment
Individual stockholders	Advances	(43,767,052)	37,980,190	–	43,767,052	Due and demandable; noninterest-bearing	Unsecured, no impairment
Other related parties							
CHI	Result of assignments and settlement in 2011	–	–	1,809,256	1,809,256	Due and demandable; noninterest-bearing	Unsecured, no impairment
				$148,897,429	$135,912,098		

b. Amounts owed to related parties

		Amount		Outstanding Balances			
		2018	2017	2018	2017	Terms	Conditions
Subsidiaries							
CEC	Payments and reimbursement of expenses made in behalf of CHPC	($14,723,887)	$29,637,718	$38,243,037	$47,235,574	Due and demandable; noninterest-bearing	Unsecured
	Dividends declared	5,731,350	4,158,238	–	–	Due and demandable; noninterest-bearing	Unsecured
	Rental of office space	–	191	–	–	Due and demandable; noninterest-bearing	Unsecured
CEIC	Result of assignments and settlement in 2011	–	–	2,339,865	2,339,865	Due and demandable; noninterest-bearing	Unsecured
Other related party							
BOD	Directors' fees	83,004	142,582	–	–	Due and demandable; noninterest-bearing	Unsecured
				$40,582,902	$49,575,439		

c. Dividends payable

		Amount		Outstanding Balances			
		2018	2017	2018	2017	Terms	Conditions
Immediate Parent Company							
Camerton, Inc.	Dividends declared	$20,601	$–	$20,601	$–	Due and demandable; noninterest-bearing	Unsecured

The above related parties, except the stockholders and directors, are entities under common control of the ultimate parent company.

Transactions with CEC
Amounts owed by CEC as of December 31, 2018 and 2017 pertain mainly to working capital advances, and payments and reimbursement of expenses made on behalf of CEC. Amounts owed to CEC pertain to payments made by CEC on behalf of the Parent Company.

Transactions with individual stockholders, Camerton Inc. (Camerton)
As of December 31, 2017, advances to individual stockholders, which are due and demandable and noninterest-bearing, amounted to $43.8 million. In 2018, additional advances amounted to $3.7 million, net of collections amounting to $14.8 million.

On December 27, 2018, the Group and Camerton executed a Sworn Corporate Undertaking with Camerton undertakes to pay the amount of money owed by the stockholders amounting $47.4 million with the first installment amounting to $5.0 million due on or before May 31, 2019 and the remaining balance to be paid in cash within 2019. A loan agreement between Camerton and the Parent Company was executed on the same day which indicates the terms and conditions disclosed in the table.

Transactions with CHI, Charmview Enterprises Ltd (CEL)
The amount owed by an officer amounting to $7.7 million as of December 31, 2010 was transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, the parent of CHPC.

The amounts owed by and to CHI as of December 31, 2018 and 2017 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 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 12).

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.

The amount owed by CHI as of December 31, 2018 and 2017 pertains to the outstanding receivable arising from the assignments and set-off agreements.

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 Initial Noteholder, Facility and Paying Agent and Arranger, to perform and pay any and all obligations under the NFA, to perform and pay any and all obligations under the NFA (see Note 8).

On September 20, 2016, CEC signed Suretyship Agreement 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 Initial Noteholder, Facility and Paying Agent and Arranger, to perform and pay any and all obligations under the NFA, to perform and pay all obligations under the NFA (see Note 8).

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

10. General and Administrative Expenses

	2018	2017
Provision	**$151,840**	$–
Taxes and licenses	**140,922**	553,621
Directors' fees (Note 9)	**83,004**	142,582
Professional fees	**43,646**	783,549
Service fee	**21,744**	277,730
Depreciation	**16,939**	16,939
Advertising	**12,609**	2,670
Others	**38,575**	183,926
	$509,279	$1,961,017

11. Income Taxes

a. The provision for current income tax represents MCIT in 2018. There was no provision for current income tax in 2017 because of the Parent Company's taxable loss position and has no income subject to MCIT.

b. A reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax shown in profit or loss follows:

	2018	2017
Income tax at statutory tax rate	**$3,442,917**	$1,113,576
Additions to (reduction in) income tax:		
Dividend income exempt from income tax	**(1,770,000)**	(2,538,000)
Application of NOLCO for which no deferred income tax assets were recognized	**(1,777,122)**	–

(Forward)

	2018	2017
Carryforward benefits of NOLCO, MCIT and unrealized foreign exchange losses for which no deferred income tax assets were recognized in the current year	**$221,584**	$1,435,068
Nondeductible expense	**52,610**	4,421
Interest income subject to final tax	**(3,346)**	(6,717)
Foreign currency translation adjustment	**34,941**	(8,348)
Provision for income tax	**$201,584**	$–

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:

	2018	2017
NOLCO	**$1,196,292**	$7,120,033
Unrealized foreign exchange losses	**66,667**	–
MCIT	**201,584**	–

d. Movements of NOLCO and MCIT are as follows:

	2018		2017
	NOLCO	**MCIT**	NOLCO
Beginning balance	**$7,120,033**	**$–**	$3,288,743
Additions	**–**	**201,584**	4,783,563
Application	**5,923,741**	**–**	–
Expiration	**–**	**–**	(952,273)
Ending balance	**$1,196,292**	**$201,584**	$7,120,033

As of December 31, 2018, the carryforward benefits of NOLCO and MCIT that can be claimed as deduction from future regular taxable income and regular corporate income tax due, respectively, are as follows:

Year Incurred	Available Until	NOLCO	MCIT
2018	2021	$–	$201,584
2017	2020	1,196,292	–
		$1,196,292	$201,584

12. Equity

a. Common Shares

	2018	2017
Number of shares		
Authorized - common shares (₱1.00 par value)	**520,000,000**	520,000,000
Issued		
Beginning and end of year	**419,063,353**	419,063,353

	2018	2017
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 ₱7.0 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 was charged against "Additional paid-in capital" in the 2011 parent company balance sheet. As of December 31, 2011, the Parent Company has 162,163,000 issued common shares.

On May 25, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved and ratified the stock dividend payable to stockholders as of record as of June 8, 2012, to be 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, to be 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, to be distributed on April 5, 2013.

On January 29, 2014, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting on July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014, to be distributed on 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, to be distributed on 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 was charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

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 ₱860,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 700,000,000 preferred shares classified into "Preferred A shares" with a par value of ₱0.10 per share, and ₱270,000,000 worth of new preferred shares classified into "Preferred B shares" with par value ₱1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Parent Company's BOD. On the same date, the Parent Company's BOD, by majority vote, approved the declaration of ten percent (10%) stock dividend for each of the 419,063,353 issued and fully paid common shares, and 400,000,000 issued and fully paid preferred shares of the Parent Company. To date the shareholders have not approved and ratified the said declaration.

On May 26, 2017, the Parent Company's shareholders representing at least 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 as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to: (i) determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Parent Company will be implemented; and (ii) the manner by which the increase in the authorized capital stock will be subscribed and paid for, such as, but not limited to, a private placement transaction or public offering. The BOD was also granted authority to issue in one or more series the new preferred shares and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the new preferred shares.

The Parent Company's application to increase its authorized capital stock, which was approved by Philippine SEC on September 29, 2017, did not include an increase in authorized capital stock on common shares.

b. Preferred Shares

	2018	2017
Number of shares		
Authorized		
Preferred shares A (₱0.10 par value)	**700,000,000**	700,000,000
Preferred shares B-1 (₱1.00 par value)	**70,000,000**	70,000,000
Preferred shares B-2 (₱1.00 par value)	**200,000,000**	200,000,000
Issued and Subscribed		
Preferred A shares	**700,000,000**	700,000,000
Preferred B-1 shares	**70,000,000**	70,000,000
Preferred B-2 shares	**67,000,000**	67,000,000

	2018	2017
Amount		
Preferred A shares - (net of subscriptions receivable amounting to \$525,062 and \$1,103,944 as of December 31, 2018 and 2017, respectively)	**\$946,863**	\$367,981
Preferred B-1 shares - (net of subscriptions receivable amounting to \$1,027,196 as of December 31, 2018 and 2017)	**342,399**	342,399
Preferred B-2 shares	**1,326,733**	1,326,733

In 2015, the 400,000,000 preferred shares at par value of ₱0.10 were subscribed by Camerton, a principal shareholder of the Parent Company.

On September 8, 2017, the Parent Company's BOD, by majority vote, approved the amendment in the Company's articles of incorporation to increase the Company's authorized capital stock by ₱300,000,000, or:

a) from ₱560,000,000, consisting of:

   i. ₱520,000,000 worth of common shares divided into 520,000,000 common shares with par value of ₱1.00 per share; and
   ii. ₱40,000,000 worth of preferred shares divided into 40,000,000 Preferred A shares with par value of ₱0.10 per share,

b) to ₱860,000,000, consisting of:

   i. ₱520,000,000 worth of common shares divided into 520,000,000 common shares with par value of ₱1.00 per share;
   ii. ₱70,000,000 worth of preferred A shares divided into 700,000,000 preferred A shares with par value of ₱0.10 per share; and
   iii. ₱270,000,000 worth of preferred B shares with par value of ₱1.00 per share. The preferred B shares are further classified into the following series: (a) ₱70,000,000 worth of preferred B-1 shares, and (b) ₱200,000,000 worth of preferred B-2 shares, both having a par value of ₱1.00 per share.

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Camerton at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Parent Company recognized preferred stock and additional paid-in capital amounting to \$0.1 million and \$0.3 million, respectively, net of subscriptions receivable. Preferred B-1 shares are not listed in the PSE.

On September 29, 2017, the Philippine SEC approved the Parent Company's application for the increase in authorized capital stock.

The features of the preferred A 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.

On September 15, 2017 and November 9, 2017, the Parent Company's BOD approved the following features, rights and privileges of preferred B-2 shares:

a. Non-voting;
b. Preferred, cumulative cash dividends of up to seven percent (6.125%) of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company's BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company's BOD shall determine;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, of the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

On October 23, 2017 and November 9, 2017, the Parent Company's BOD approved the following features, rights and privileges of preferred B-1 shares:

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Parent Company's BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company's BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Parent Company is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Parent Company pursuant to the Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;
f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, of the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

On November 8, 2017, the PSE BOD approved the public offering of up to $200,000,000 preferred B-2 shares. A total of 140,000,000 preferred B-2 shares were offered to the public during the offer period.

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2 shares with par value of ₱1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively. The Parent Company incurred transaction costs incidental to FOO amounting to $1.1 million which was charged against "Additional paid-in capital" in 2017 parent company balance sheet. As of December 31, 2017, unpaid stock issue costs amounted to $324,866 recorded under "Accrued expenses and other payables" account. This amount was subsequently paid in 2018.

On December 8, 2017, the Parent Company listed with the PSE its 67,000,000 preferred B-2 shares. The Parent Company has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to $3.0 million and $0.3 million as of December 31, 2018 and 2017, respectively.

On February 8, 2018, the Parent Company received a refund from PSE pertaining to overpayment of listing fee amounting to ₱4.10 million ($0.08 million). This is presented as "Others" under "Other income (charges) - net" account in 2018 profit or loss.

On July 18, 2018, 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 ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000; and (ii) preferred A stock by ₱40,000,000. The Parent Company authorized the subscription by Camerton, Inc. to ₱40,000,000 of preferred A shares. Furthermore, the par value of the preferred A shares shall be reduced from ₱0.10 to ₱0.05 per share. On the same date, the Parent Company's BOD approved by majority vote the reclassification of ₱100,000,000 preferred B-2 shares with a par value of ₱1.00 per share into ₱100,000,000 of a new class of shares denominated as preferred C shares, divided into 100,000,000 of ₱1.00 per share.

On September 7, 2018, the Parent Company's shareholders representing at least 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 as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to determine and fix the terms and conditions of preferred C shares.

On December 13, 2018, Camerton, Inc. paid 25% of the total additional subscription to preferred A shares amounting to ₱10.0 million ($0.2 million). This was presented as "Deposit for future stock subscription" under current liabilities in 2018 balance sheet.

As of December 31, 2018, the Parent Company's BOD is in the process of filing applications and documents as may be necessary to amend the articles of incorporation and to implement and give effect to the foregoing resolution.

c. Retained Earnings

On January 23, 2017 the Parent Company's BOD approved the declaration of cash dividends of $0.00432 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 $1,820,000, for payment and distribution on February 22, 2017 to shareholders of record of February 6, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 15, 2017 the Parent Company's BOD approved the declaration of cash dividends of $0.004629 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $1,940,000, for payment and distribution on October 6, 2017 to shareholders of record of September 29, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 2, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.004609 per share for each of 419,063,353 fully paid and issued common shares and $0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of $1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 27, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018. This amount is still unpaid as of December 31, 2018.

On the same date, the Parent Company's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.

On June 4, 2018, the Parent Company's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

(i) June 8, 2018 to shareholders of record as of June 6, 2018
(ii) September 10, 2018 to shareholders of record as of September 6, 2018
(iii) December 10, 2018 to shareholders of record as of December 6, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 3, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.0048 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

13. Earnings Per Share (EPS)

The following table presents information necessary to calculate EPS on net income.

	2018	2017
Income attributable to common shareholders of the Parent Company	**$11,274,805**	$3,711,920
Less cumulative dividends on preferred B-1 and B-2 shares (Note 12)	**4,193,527**	357,473
	7,081,278	3,354,447
Weighted average number of common shares outstanding	**419,063,353**	419,063,353
Basic and diluted EPS	**$0.017**	$0.008

As of December 31, 2018 and 2017, the Parent Company has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Parent Company. The additional shares from stock dividends during the period, including the unissued stock dividends and stock dividends declared after the reporting period but before the approval of the financial statements, were reflected in the calculation of the EPS if these shares have been issued in all earlier periods presented.

14. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash in banks. The main purpose of these financial instruments is to support the Parent Company's operations. The Parent Company has various other financial instruments such as amounts owed by related parties, equity investment at FVTOCI (previously classified as AFS financial asset), accrued expenses and other payables, 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 and liquidity 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. 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 Risk Exposures
The maximum exposure to credit risk for financial assets, which is composed of cash and amounts owed by related parties, is equivalent to the carrying amount of these financial assets as carried in the parent company balance sheets.

With respect to credit risk arising from financial assets, the Parent Company's exposure to credit risk arises from default of the counterparties, with a maximum exposure as of December 31, 2018 and 2017 equal to the carrying value of the instruments. The Parent Company does not require any collateral and other credit enhancements. Consequently, an impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The mechanics of the ECL calculations and the key elements are, as follows:

a. *Probability of default (PD)* is an estimate of the likelihood of default over a given time horizon.
b. *Exposure at default (EAD)* is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.
c. *Loss given default (LGD)* is an estimate of the loss arising in the case where a default occurs at a given time.

The aging per class of financial assets follows:

December 31, 2018

		Past due					
	Current	Less than 30 days	31-60 days	61-90 days	Over 90 days	ECL	Net of ECL
Cash	$6,493,397	$–	$–	$–	$–	$–	$6,493,397
Amounts owed by related parties	148,897,429	–	–	–	–	–	148,897,429
	$155,390,826	$–	$–	$–	$–	$–	$155,390,826

December 31, 2017

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		< 30 days	31-60 days	61-90 days	> 90 days		
Cash	$16,698,306	$–	$–	$–	$–	$–	$16,698,306
Amounts owed by related parties	135,912,098	–	–	–	–	–	135,912,098
AFS financial asset	1,667,000	–	–	–	–	–	1,667,000
Total	$154,277,404	$–	$–	$–	$–	$–	$154,277,404

For cash and amounts owed by related parties, the Parent Company applies the low credit risk simplification where the Parent Company measures the ECLs on a 12-month basis based on the probability of default and loss given default which are publicly available. The Parent Company also evaluates the credit rating of the bank and other counterparties to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Parent Company considers its cash as high grade since these are placed in financial institutions of high credit standing. On the other hand, the Parent Company considers its amounts owed by related parties as medium grade due to assured collectability through information from the related parties' sources of funding. No ECLs relating to these debt instruments was recognized.

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 satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financing, 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 as of December 31:

	2018				
	On demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
Financial Assets					
Cash	$6,493,397	$–	$–	$–	$6,493,397
Amounts owed by related parties	101,470,786	47,426,643	–	–	148,897,429
	$107,964,183	$47,426,643	$–	$–	$155,390,826
Financial Liabilities					
Amounts owed to related parties	$40,582,902	$–	$–	$–	$40,582,902
Accrued expenses and other payables*	–	943,994	–	–	943,994
Short-term loans**	–	15,593,530	–	–	15,593,530
Long-term debt**	–	14,947,160	13,046,191	63,359,019	91,352,370
	$40,582,902	$31,484,684	$13,046,191	$63,359,019	$148,472,796

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

	2017				
	On demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
Financial Assets					
Cash	$16,698,306	$–	$–	$–	$16,698,306
Amounts owed by related parties	135,912,098	–	–	–	135,912,098
	$152,610,404	$–	$–	$–	$152,610,404
Financial Liabilities					
Amounts owed to related parties	$49,575,439	$–	$–	$–	$49,575,439
Accrued expenses and other payables*	–	424,067	–	–	424,067
Short-term loans**	–	44,853,155	–	–	44,853,155
Long-term debt**	–	5,421,181	19,527,590	16,009,000	40,957,771
	$49,575,439	$50,698,403	$19,527,590	$16,009,000	$135,810,432

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

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 its 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. No changes were made to the objectives, policies or processes in 2018 and 2017.

The Company considers the following as capital:

	2018	2017
Common stock	$9,594,321	$9,594,321
Preferred stock	2,615,995	2,037,113
Additional paid-in capital	100,469,659	100,469,659
Retained earnings	3,609,027	407,956
	$116,289,002	$112,509,049

As of December 31, 2018, the Parent Company is subject to externally imposed capital requirements.

As of December 31, 2018, the Parent Company was able to meet its capital requirements and management objectives.

15. Fair Values

As of December 31, 2018 and 2017, the carrying values of the Parent Company's financial assets and liabilities are equal to or approximate their respective fair value.

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

Equity investment at FVTOCI (previously classified as AFS financial asset)
Fair value of equity investment at FVTOCI (previously classified as AFS financial asset) is obtained through market comparable approach (Level 3). The price is indicative of actual and regularly occurring market transactions on an arm's length basis.

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 4.19% to 6.37% and 4.01% to 4.74% in 2018 and 2017, respectively (Level 3).

As at December 31, 2018 and 2017, there were no transfers between Level 1, 2 and 3 fair value measurements.

16. Events After the Reporting Period

a. On January 30, 2019, the Parent Company's BOD approved the declaration of cash dividends of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

   (i) March 8, 2019 to shareholders of record as of March 6, 2019
   (ii) June 10, 2019 to shareholders of record as of June 6, 2019
   (iii) September 9, 2019 to shareholders of record as of September 5, 2019
   (iv) December 9, 2019 to shareholders of record as of December 5, 2019

   The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

17. Changes in Liabilities Arising from Financing Activities

The table below presents the changes in Parent Company's liabilities arising from financing activities as of December 31:

	2018				
	Beginning	**Net cash flows**	**Conversion of short-term loans into long-term debt**	**Amortization of deferred financing costs**	**Ending**
Short-term loans	**$43,972,000**	**$11,238,000**	**($40,000,000)**	**$–**	**$15,210,000**
Long-term debt	**36,977,845**	**(4,300,274)**	**40,000,000**	**129,100**	**72,806,671**
Amounts owed to related parties	**49,575,439**	**(8,992,537)**	**–**	**–**	**40,582,902**
	$130,525,284	**($2,054,811)**	**$–**	**$129,100**	**$128,599,573**

	2017			
	Beginning	Net cash flows	Amortization of deferred financing costs	Ending
Short-term loans	$8,852,857	$35,119,143	$–	$43,972,000
Long-term debt	43,859,971	(7,000,000)	117,874	36,977,845
Amounts owed to related parties	19,937,731	29,637,708	–	49,575,439
	$72,650,559	$57,756,851	$117,874	$130,525,284

18. Supplementary Information Required Under Revenue Regulations 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.

Output VAT

The Parent Company did not earn any income subject to output VAT in 2018.

Input VAT

The Parent Company did not record any input VAT arising from purchases of services in 2018.

Withholding taxes

Total expanded withholding tax paid amounted to ₱734,923 in 2018.

Taxes and licenses

Taxes and licenses consist of the following:

Documentary stamp taxes	₱4,780,100
Listing and other registration fees	2,560,457
Business permits	13,311
Others	7,575
	₱7,361,443

Tax assessments

As of December 31, 2018, 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.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the 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 (the Company), as at and for the years ended December 31, 2018 and 2017 and have issued our report thereon dated May 3, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Parent Company Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Kristopher S. Catalan
Partner
CPA Certificate No. 109712
SEC Accreditation No. 1509-AR-1 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 233-299-245
BIR Accreditation No. 08-001998-109-2018,
February 14, 2018, valid until February 13, 2021
PTR No. 7332534, January 3, 2019, Makati City

May 3, 2019

CIRTEK HOLDINGS PHILIPPINES CORPORATION

INDEX TO THE PARENT COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule I	:	Reconciliation of Retained Earnings Available for Dividend Declaration
Schedule II	:	Supplementary Schedule of All the Effective Standards and Interpretations

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2018

Unappropriated retained earnings, beginning	**$407,956**
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	11,274,805
Less: Unrealized foreign exchange gain, net of tax (except for those attributable to cash)	401
Net income actually earned during the period	**11,274,404**
Less: Cash dividends declared	8,073,734
Retained earnings available for dividend declaration	**$3,608,626**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 19	Employee Benefits			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS-19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases-Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		**Adopted**	**Not Adopted**	**Not Applicable**
Philippine Interpretation SIC-25	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets-Web Site Costs			✓