

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$3,093,446	\$12,602,322
Trade and other receivables	13,496,235	15,586,934
Inventories	11,834,662	10,768,681
Financial asset at fair value through profit or loss	9,201,747	701,747
Amounts owed by related parties	5,385,645	5,123,078
Held-to-maturity investments	114,341	114,341
Other current assets	2,507,598	1,871,111
	45,633,674	46,768,214
Noncurrent assets-held-for-sale	11,408,611	11,408,611
Total Current Assets	57,042,285	58,176,825
Noncurrent Assets		
Property, plant and equipment	17,975,593	17,015,168
Investment in Subsidiaries		
Held-to-maturity investments	1,073,789	1,073,789
Deferred income tax asset	186,579	186,579
Other noncurrent assets	879,915	962,504
Total Noncurrent Assets	20,115,876	19,238,040
TOTAL ASSETS	\$77,158,161	\$77,414,865
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	\$8,131,845	\$9,434,272
Short-term loan	4,550,509	2,100,000
Long-term debt - current portion and net of deferred financing costs	2,586,322	3,412,079
Amounts owed to related parties	476,685	470,147
Deferred revenues	259,910	405,144
Income tax payable	345,767	349,237
Provision for warranty	65,589	148,954
Derivative liability	40,836	40,836
Total Current Liabilities	16,457,463	16,360,669
Noncurrent Liabilities		
Long-term debt - net of current portion and deferred financing costs	23,159,914	23,752,534
Retirement benefit obligation	1,682,527	1,645,787
Total Noncurrent Liabilities	24,842,441	25,398,321
Total Liabilities	41,299,904	41,758,990
Equity		
Capital stock	7,893,134	7,893,134
Additional paid-in capital	4,733,511	4,733,511
Equity reserve	4,138,375	4,138,375
Other comprehensive income	317,579	317,579
Retained earnings	18,775,658	18,573,276
Total Equity	35,858,161	35,655,875
TOTAL LIABILITIES AND EQUITY	\$77,158,161	\$77,414,865

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended March 31	
	2015	2014
NET SALES	\$14,124,824	\$11,183,396
COST OF SALES	(11,655,777)	(9,373,040)
GROSS PROFIT	2,469,047	1,810,356
OPERATING EXPENSES	849,928	(637,694)
FINANCIAL INCOME (EXPENSES)		
Interest income	61,857	8,072
Interest expense	(238,817)	(84,829)
	(176,460)	(76,757)
OTHER INCOME (CHARGES)	(2,019)	9
INCOME BEFORE INCOME TAX	1,440,639	1,095,914
PROVISION FOR (BENEFIT FROM)		
INCOME TAX		
Current	38,258	71,585
Deferred	—	—
	38,258	71,585
NET INCOME	1,402,382	1,024,329
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>		
Re-measurement gain (loss) on retirement benefit, net of deferred tax	—	—
TOTAL COMPREHENSIVE INCOME	\$1,402,382	\$1,024,329
Earnings Per Share		
Basic and diluted - as restated	\$0.005	\$0.004

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS MARCH 31, 2015 AND 2014**
2015

	Capital Stock						
	Issued	Undistributed Stock Dividends	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings (Note 7)	Total
Balances at December 31, 2014	\$7,203,869	\$689,265	\$4,733,511	\$4,138,375	\$317,579	\$18,573,276	\$35,655,875
Net income for the year	—	—	—	—	—	1,402,382	1,402,382
Other comprehensive income	—	—	—	—	—	—	0
Total comprehensive income (loss)	—	—	—	—	—	1,402,382	1,402,382
Cash dividends declared at \$0.004136 per share	—	—	—	—	—	(1,200,000)	(1,200,000)
Balances at March 31, 2015	\$7,203,869	\$689,265	\$4,733,511	\$4,138,375	\$317,579	\$18,775,658	\$35,858,257

2014

	Capital Stock						
	Issued	Undistributed Stock Dividends	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Total
Balances at December 31, 2013	\$6,559,066	\$—	\$4,733,511	\$4,138,375	(\$66,414)	\$15,165,642	\$30,530,180
Net income for the year	—	—	—	—	—	1,024,329	1,024,329
Other comprehensive income	—	—	—	—	—	—	—
Total comprehensive income (loss)	—	—	—	—	—	1,024,329	1,024,329
Cash dividends declared	—	—	—	—	—	(1,200,000)	(1,200,000)
Balances at March 31, 2014	\$6,559,066	\$—	\$4,733,511	\$4,138,375	(\$66,414)	\$14,989,971	\$30,354,509

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$1,440,640	\$1,095,914
Adjustments for:		
Depreciation and amortization	810,907	569,480
Interest expense	238,317	84,829
Excess of the fair value of net assets acquired over the aggregate consideration transferred		—
Net unrealized foreign exchange losses (gains)	2,273	112,926
Interest income	(61,857)	(8,072)
Change in fair value of financial asset at FVPL		—
Mark-to-market loss on forward contracts		—
Operating income before working capital changes	2,430,280	1,855,077
Decrease (increase) in:		
Inventories	(1,065,981)	(14,959)
Trade and other receivables	2,090,699	(1,473,731)
Other current assets	(636,487)	(96,307)
Increase (decrease) in:		
Trade and other payables	(1,514,646)	505,685
Retirement benefit obligation	36,740	62,112
Net cash generated from operations	1,340,605	837,877
Interest received	61,857	8,072
Income taxes paid	(41,729)	—
Net cash flows from operating activities	1,360,733	845,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from (investment in) financial asset at FVPL	(8,500,000)	—
Acquisitions of property, plant and equipment	(1,771,332)	(254,865)
Net payment for the acquisition of REMEC entities		—
Decrease (increase) in other noncurrent assets	82,589	(266,265)
Net cash flows used in investing activities	(10,188,743)	(521,130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of:		
Short-term loan	5,078,551	450,000
Long-term debt		—
Transaction costs from availment of long-term debt	(136,283)	—
Payments of:		
Cash dividends	(1,200,000)	(1,200,000)
Interest	(240,083)	(90,303)
Long-term loan	(1,296,707)	(250,000)
Short-term loan	(2,628,042)	(200,000)
Net cash settlement on forward contracts		—
Net movement in amounts owed by and owed to related parties	(256,029)	4,509
Net cash flows from (used in) financing activities	(678,593)	(1,285,794)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,506,603)	(960,975)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(2,273)	(112,926)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FIRST QUARTER	12,602,322	7,023,748
CASH AND CASH EQUIVALENTS AT END OF FIRST QUARTER	\$3,093,446	\$5,949,847

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

On March 1, 2011, the Parent Company acquired from Cirtek Holdings, Inc. (CHI) 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. Accordingly, all financial information for the periods prior to the effectivity of the combination were restated as if the Parent Company, CEC and CEIC (collectively referred to as “the Group”) had always been combined but depending on whether these entities were under common control for the periods presented.

The Group is primarily engaged in the manufacture and sale of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services. 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 with majority of its client base located in United States of America (USA). CEIC sells integrated circuits principally in the USA and assigns the production of the same to CEC.

The Parent Company was listed with the Philippine Stock Exchange on November 18, 2011.

The Parent Company’s registered address is 116 East Main Avenue Phase V-SEZ, Laguna Technopark, Biñan, Laguna, Philippines.

Business Acquisition

On July 23, 2014, CEIC (the Buyer) entered into a Share Purchase Agreement (SPA) with Remec Broadband Wireless Holdings, Inc (RBWHI; the Seller) and Remec Broadband Wireless International, Inc. (the Philippine Branch) wherein RBWHI agreed to sell all of its issued and outstanding ordinary share (5,000 ordinary shares at US\$ 1.00 each at par value) to CEIC.

The closing date of the transactions is effective July 30, 2014 (see Note 4).

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

Basis of Preparation

The consolidated financial statements of the Group are prepared on a historical cost basis except for derivative liability and financial asset at fair value through profit or loss (FVPL) which are carried at fair value. The consolidated financial statements are presented in United States (US) dollars (\$), which is the Group’s functional and presentation currency. All amounts are rounded off to the nearest US dollar except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2015 and December 31, 2014 (see Notes 1 and 4):

	Country of Incorporation	Percentage of Ownership			
		March 31,2015		December 31,2014	
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	–	100	–
	British Virgin Islands			100	–
CEIC	(BVI)	100	–		
RBWHI	British Virgin Islands	–	100	–	100
RBWII - Philippine					
Branch	Philippines	–	100	–	100
RBWRP	Philippines	–	100	–	100

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Common control business combinations

Where there are group reorganizations and business combinations in which all the combining entities within the Group are ultimately controlled by the same ultimate parent (i.e., controlling shareholders) before and after the business combination and the control is not transitory (business combinations under common control), the Group accounts for such group reorganizations and business combinations similar to a pooling-of-interests method. The assets and liabilities of the acquired entities and that of the Company are reflected at their carrying values at the stand-alone financial statements of the investee companies. The difference in the amount recognized and the fair value of the consideration given is accounted for as an equity transaction, i.e., as either a contribution or distribution of equity. Further, when a subsidiary is disposed in a common control transaction without loss of control, the difference in the amount recognized and the fair value of consideration received, is also accounted for as an equity transaction.

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the consolidated financial statements, regardless of the actual date of the combination.

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2014.

The nature and impact of each new standard and amendment is described below:

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2014

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations from IFRIC and improved PFRS which the Group has adopted starting January 1, 2014. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
These amendments clarify the meaning of ‘currently has a legally enforceable right to set-off’ and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.
- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.
- Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables

with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2014

The Group will adopt the following standards and interpretations when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new standards and interpretations to have any significant impact on the consolidated financial statements.

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective January 1, 2015

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.
- *Annual Improvements to PFRSs (2010-2012 cycle)*
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:
 - *PFRS 2, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition
 - A performance target must be met while the counterparty is rendering service
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
 - A performance condition may be a market or non-market condition
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
 - *PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.
 - *PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
 - *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *PAS 24, Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.
- *Annual Improvements to PFRSs (2011-2013 cycle)*
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:
 - *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
 - *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.
 - *PAS 40, Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition

of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- *PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

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

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- *PFRS 14, Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial

position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- **Annual Improvements to PFRSs (2012-2014 cycle)**

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

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

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

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

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- ***PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements***

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- ***PAS 19, Employee Benefits - regional market issue regarding discount rate***

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under

IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

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 by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group 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 Group 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.

Cash and Cash Equivalents

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

Financial Instruments

Financial assets

Initial recognition

Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and available-for-sale (AFS) financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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

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

Subsequent measurement

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

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVPL are carried in the balance sheets at fair value with gains or losses recognized in the statement of comprehensive income.

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

As at March 31, 2015 and December 31, 2014, the Group carries a financial asset at FVPL.

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 rate method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of March 31, 2015 and December 31, 2014, the Group has designated as loans and receivables its cash and cash equivalents, trade and other receivables, amounts owed by related parties, and

refundable deposits (reported as part of 'Other noncurrent assets' in the consolidated balance sheet).

HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Group has the positive intention and ability to hold it to maturity. After initial measurement HTM investments are measured at amortized cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the statements of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

As of March 31, 2015 and December 31, 2014, the Group has HTM investments.

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. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statements of comprehensive income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statements of comprehensive income.

As of March 31, 2015 and December 31, 2014, the Group has no AFS financial assets.

Financial Liabilities

Initial recognition

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

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

The Group's financial liabilities include trade and other payables, short-term loan, long-term debt, amount owed to related parties and derivative liability.

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Subsequent measurement

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

Financial liabilities at FVPL

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by PAS 39.

Gains and losses on liabilities held for trading are recognized in the statements of comprehensive income.

As at March 31, 2015 and December 31, 2014, the Group's derivative liability is classified as a financial liability at FVPL. The Group does not have a financial liability held for trading and has not designated any financial liabilities as at FVPL.

Other financial liabilities

Other financial liabilities are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's-length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

'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 Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the statements of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Amortized cost of financial instruments

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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 Group; 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 Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets

The Group 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 has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and 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.

Financial assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually 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 effective interest rate (i.e., the effective interest rate 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 the consolidated statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets

For AFS financial assets, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss is removed from equity and recognized in the statements of comprehensive income. Impairment losses on equity investments are not reversed through the statements of comprehensive income; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'interest income' in the statements of comprehensive income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of comprehensive income, the impairment loss is reversed through the statements of comprehensive income.

Derecognition of Financial Instruments

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into pass through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each inventory to its present location and condition is accounted for as follows:

Raw materials, spare parts, supplies and others	- purchase cost on a first-in, first-out basis (FIFO);
Finished goods and work-in-process	- cost includes raw materials, direct labor and a portion of manufacturing overhead costs. Costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency, and capacity utilization. They are regularly reviewed and, if necessary, revised in light of current conditions.

NRV of finished goods, work-in-process and raw materials is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of supplies and spare parts is the current replacement costs.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	Number of Years
Machinery and equipment	6-12
Buildings and improvements	5-25
Facility and production tools	3-5
Furniture, fixtures and equipment	2-5
Transportation equipment	5-7

The property, plant and equipment's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

When each major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

Construction-in-progress represents property under construction and is stated at cost. This includes costs of construction and other direct costs. Construction-in-progress is not depreciated until such time that the relevant assets are completed and put into operational use.

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 amortization 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, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Noncurrent Asset Held for Sale

Property, plant and equipment are classified as held for sale if their carrying amount will be recovered principally through a sale transaction expected to be completed within one year from the date of classification, rather than through continuing use. Property, plant and equipment held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the assessment can be supported. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. The Group has designated as nonfinancial assets its prepaid expenses and other current assets, property and equipment and other noncurrent assets. If any such indication exists, or when annual impairment testing for a nonfinancial asset is required, the Group 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 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 groups 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 Group makes an estimate of 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. That 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 the consolidated statements of comprehensive income.

Capital Stock

Capital stock is measured at par value for all shares issued. Subscriptions receivable are accounted for as a deduction from equity.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to the Group's equity holders and reduced by dividends on capital stock. Retained earnings may also include effect of changes in accounting policies as may be required by the standards' transitional provisions.

Cash dividends

Cash dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Stock dividends

Stock dividends are recognized as a liability and deducted from equity when they are approved by the shareholders representing not less than two-thirds (2/3) of the outstanding capital stock of the Parent Company. A stock dividend of at least 20% of the outstanding capital stock is considered as large stock dividend and is measured at par value. A stock dividend of less than 20% is considered small stock dividend and is measured at fair value.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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, returns, rebates and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

Interest income is recognized as it accrues using the effective interest rate method. (i.e., the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Operating expenses

Operating 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. Operating 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;
- b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;
- 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).

Group as a lessee

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

Retirement Benefit Costs

The Group is covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

Foreign Currency Transactions

The consolidated financial statements are presented in US dollars, which is the functional and presentation currency of all companies in the Group. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

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

Taxes

Current income tax

Current income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial reporting date.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the financial reporting 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:

- where 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 profit 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, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) 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 of unused tax credits from MCIT and unused NOLCO can be utilized, except:

- where 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 profit 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 tax asset to be recovered.

Income tax relating to items recognized directly in equity is recognized in the statement of changes in equity and not in the consolidated statement of comprehensive income.

Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year 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.

Segment Reporting

For management purposes, the Group has determined that it is operating as one operating segment. Sales are reported internally per division, however, profit or loss, assets and liabilities are reported on an entity-wide basis. These information are measured using the same accounting policies and estimates as the Group's consolidated financial statements (see Note 23).

Provisions

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

Contingencies

Contingent liabilities are not recognized but are disclosed in the notes to consolidated 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 consolidated financial statements when an inflow of economic benefit is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated 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 could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

Determining functional currency

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

Deferred tax liability on a subsidiary's undistributed profits

CEIC has an undistributed profit as of March 31, 2015 and December 31, 2014 that becomes taxable when distributed to the Parent Company. PAS 12, *Income Taxes*, requires the recognition of deferred tax liability on taxable temporary difference associated with investments in subsidiaries and interests in joint ventures, unless the Group has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has made a judgment that it is probable that the temporary difference will not reverse in the foreseeable future based on management's plan that the Group will not be declaring dividends from CEIC in the foreseeable future. Accordingly, no deferred tax liability has been recognized on the undistributed profits of CEIC.

Operating lease commitments - Group as lessee

The Group has entered into leases of its office and commercial spaces. The Group has determined that it does not acquire all the significant risks and rewards of ownership of these properties which are leased as operating leases (see Note 9).

Estimation Uncertainty

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.

Estimating useful lives of property, plant and equipment

The Group estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

Depreciation charged in the consolidated statement of comprehensive income amounted to \$810,907 and \$2,900,520 in March 31, 2015 and December 31, 2014, respectively. As of March 31, 2015 and December 31, 2014, the Group's property, plant and equipment have a net book value of \$17,975,593 and \$17,015,168, respectively (see Note 11).

Assessing impairment of nonfinancial assets

The Group 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 Group 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 value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	March 31, 2015	December 31, 2014
Advances to suppliers, prepaid expense and others		
under other current assets	\$1,051,323	\$462,683
Property, plant and equipment	17,975,593	17,015,168
Product development cost, advances to suppliers		
included under other noncurrent assets	624,991	789,426

No impairment loss was recognized as of March 31, 2015 and December 31, 2014.

Estimating allowance for inventory obsolescence

The Group recognizes allowance for inventory obsolescence when the inventory items are no longer marketable and diminishes in value. Obsolescence is based on the physical and internal condition of inventory items. The Group reviews on a monthly basis the condition of its stocks. The assessment of the condition of the inventory goods either increase or decrease the expenses or total inventory.

The estimated allowance for inventory obsolescence is \$641,583 as of March 31, 2015 and December 31, 2014. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to \$11,834,662 and \$10,768,681 as of March 31, 2015 and December 31, 2014, respectively (see Note 7).

Estimating impairment of loans and receivables

The Group maintains allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this impairment allowance is evaluated by the 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 Group's relationship with debtors, their payment behavior and known market factors. The Group 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 Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment would increase the Group's recorded expenses and decrease current assets.

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

For collective assessment, allowances are 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.

In 2014 and 2013, the Group has not provided any impairment allowance since receivables were assessed to be fully collectible. The carrying amount of trade and other receivables, loans to employees and amounts owed by related parties amounted to \$19,023,839 and \$20,804,123 as of 31, 2015 and December 31, 2014, respectively (see Notes 6 and 16).

Estimating retirement benefit cost

The determination of the obligation for retirement benefits is dependent on the selection by management of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 and include among others, discount rate and salary increase rate. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While management believes that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement obligation.

The Group's retirement benefit cost amounted to \$61,598 and \$62,112 in March 31, 2015 and 2014, respectively. As of March 31, 2015 and December 31, 2014, the Group's retirement benefit obligation amounted to \$1,682,527 and \$1,645,354, respectively (see Note 20).

Estimating useful life of software costs and capitalized product development cost

The estimated useful lives of amortizing software costs and capitalized product development cost were determined on the basis of management's assessment of the period within which the benefits of these costs are expected to be realized by the Group.

As of March 31, 2015 and December 31, 2014, the software costs have been fully amortized (see Note 2). The carrying of capitalized development cost amounted \$560,932 and \$469,965 as of March 31, 2015 and December 31, 2014.

Recoverability of deferred income tax assets

The Group 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. The Group has unrecognized net deferred income tax assets amounting to \$186,579 and \$186,579 as of March 31, 2015 and December 31, 2014, respectively (see Note 22).

Determining provision for warranty

The Group estimates the total warranty reserve to be recognized on the total internal and external sales for the period using a predetermined percentage rate. Assumptions made by the Group such as percentage used is based on their cumulative and industry experience on approximate inventory returns made by the customers.

The provision for warranty amounted to \$65,589 and \$148,954 as of March 31, 2015 and December 31, 2014, respectively.

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon analysis of potential claims.

Management, in consultation with these counsels, believes that the likely outcome of these legal proceedings will not have a material adverse effect on the Group's financial position and operating results. However, it is possible that the future results of operations could be materially affected on changes in estimates or in the effectiveness of the strategies relating to these litigations and claims. No provision for probable losses arising from legal contingencies was recognized in March 31, 2015 and December 31, 2014 (see Note 28).

4. **Business Combination**

As discussed in Note 1, the Company acquired the ordinary shares of RBWHI on July 23, 2014. The authorized capital stock of RBWHI consists of 50,000 shares with a par value of US\$1.00 per share, of which 5,000 shares of such Common Shares are issued and outstanding. The CEIC bought all of the 5,000 ordinary shares issued representing 100% ownership in the acquired entity. The amount of consideration transferred for the acquisition was \$7,465,105.

The provisional fair values of the identifiable assets and liabilities acquired as at the date of the acquisition are:

<i>Balance Sheet</i>	July 30, 2014
Assets	
<i>Current Assets</i>	
Cash and cash equivalent	\$291,179
Trade and other receivables	4,883,504
Inventories - net	6,648,952
Prepayments and other current assets	177,390
Noncurrent assets held for sale	13,695,428
<i>Noncurrent Assets</i>	
Held-to-maturity investment	1,188,130
Other noncurrent assets	311,951
Retirement benefit asset	2,036
Total Assets	\$27,198,570
Liabilities	
<i>Current Liabilities</i>	
Trade and other payables	\$5,251,815
Current portion of interest - bearing loans	4,512,142
Income tax payable	110,930
Deferred revenues	404,741
<i>Noncurrent Liabilities</i>	
Interest-bearing loans - net of current portion	6,500,000
Provision for warranty	380,000
Total Liabilities	117,159,628
Fair value of identifiable Net asset	\$10,038,942

As provided for under PFRS 3, the Group has applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date.

5. Cash and Cash Equivalents

	March 31, 2015	December 31 2014
Cash on hand and in banks	\$3,089,997	\$12,598,873
Short-term deposits	3,449	3,449
	\$3,093,446	\$12,602,322

Cash in banks earns interest at prevailing bank deposit rates. Short-term deposits are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Interest income earned from cash in banks and short-term deposits amounted to \$23,524, \$118,370 and \$123,117 in 2014, 2013 and 2012, respectively.

6. Trade and Other Receivables

	March 31, 2015	December 31 2014
Trade	\$12,890,120	\$10,365,745
Others	606,115	5,221,189
	\$13,496,235	\$15,586,934

Trade receivables are non-interest bearing and are generally on 30-60 days' terms.

Others include accrued interest receivable from short-term deposits and nontrade receivable from suppliers which are expected to be collected within one year.

7. Inventories

	March 31, 2015	December 31, 2014
At Cost:		
Raw materials	\$6,205,850	\$4,820,159
Finished goods	613,714	889,141
Work in process	3,918,198	4,082,702
Spare parts	497,060	510,748
	11,234,822	10,302,750
At NRV:		
Supplies and others	599,840	465,931
Total inventories at lower of cost and NRV	\$11,834,662	\$10,768,681

Certain inventories have been provided with allowance to reflect valuation for non-movement and obsolescence.

The cost of supplies and other inventories amounted to \$696,725 and \$419,974, respectively.

The movements in the allowance for inventory obsolescence are as follows:

	March 31, 2015	December 31, 2014
Balances at beginning of year	\$641,583	\$96,885
Addition	(72,732)	544,698
Balances at end of year	\$568,851	\$641,583

The cost of inventories recognized as cost of sales amounted to \$7,418,679, and \$28,352,936 in March 31, 2015 and December 31, 2014, respectively (see Note 17).

8. **Financial Asset at Fair Value through Profit or Loss**

This account primarily consists of investment in Unit Investment Trust Fund, which is designated as at FVPL on initial recognition, acquired by the Company in 2013. The reconciliation of the carrying amounts of financial assets at FVPL as of March 31, 2015 and December 31, 2014 as follows:

	March 31, 2015	December 31, 2014
Balances at beginning of year	\$701,747	\$8,055,039
Initial investment	8,500,000	—
Disposal during the year		(7,538,277)
Fair value gains		184,985
Balance at end of year	\$9,201,747	\$701,747

All amounts have been determined directly by reference to published prices quoted in an active market.

9. Other Current Assets

	March 31, 2015	December 31, 2014
Rental deposit	\$1,133,929	\$1,133,929
Advances to suppliers	922,770	235,742
Security deposit	180,387	180,387
Prepaid expenses	110,582	104,532
Loans to employees	141,959	94,111
Others	17,971	122,410
	\$2,507,598	\$1,871,111

Advances to suppliers pertain mainly to down payments for production materials that are still to be delivered.

10. Held-to-Maturity Investments

As of March 31, 2015 and December 31, 2014, the details of HTM investments as a result of business combination are as follows:

	March 31, 2015	December 31, 2014
Current portion	\$114,341	\$114,341
Noncurrent portion	1,073,789	1,073,789
	\$1,188,130	\$1,188,130

In compliance with the Corporation Code of the Philippines which requires foreign corporations doing business in the Philippines to deposit with SEC, securities worth of at least \$2,300 (₱0.1 million) and additional securities with market values equivalent to a certain percentage of the amount by which the Branch's gross income exceeds \$0.1 million (₱5.0 million).

The Group's HTM investments pertain to government bonds which were purchased by the Philippine Branch of RBWII in compliance with above regulation. The maturity date of the bonds ranges from 2015-2016 and bear an average effective interest rate of 3.19% to 4.42% per annum. Interest income is presented as part of "Financial income (charges)" account in the statement of comprehensive income.

The SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

11. Property, Plant and Equipment

March 31, 2015

	Land	Machinery and Equipment	Buildings and Improvement	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:							
Beginning balances		\$38,385,288	\$7,071,084	\$5,994,069	\$1,058,977	\$104,365	\$52,613,783
Additions		1,529,924	84,543	138,797	18,068		1,771,332
Disposals							-
Ending balances		39,915,212	7,155,627	6,132,866	1,077,045	104,365	54,385,115
Accumulated Depreciation:							
Beginning balances		26,587,628	4,154,904	3,958,418	818,862	78,803	35,598,615
Depreciation		532,277	61,001	182,419	30,588	4,622	810,907
Disposals							-
Ending balances		27,119,905	4,215,905	4,140,837	849,450	83,425	36,409,522
Net Book Values		\$12,795,307	\$2,939,722	\$1,992,029	\$227,595	\$20,940	\$17,975,593

December 31, 2014

	Land	Machinery and Equipment	Buildings and Improvement	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:							
Beginning balances	\$-	\$36,453,977	\$5,649,376	\$5,489,442	\$826,271	\$86,204	\$48,505,270
Additions	-	25,765	1,227,497	542,676	64,856	-	1,860,794
Additions due to business combination	3,698,601	1,905,546	8,330,384	-	168,899	18,161	14,121,591
Reclassification to Noncurrent-Held-for-Sale	(3,698,601)	-	(8,136,173)	-	-	-	(11,834,774)
Disposals	-	-	-	(38,049)	(1,049)	-	(39,098)
Ending balances	-	38,385,288	7,071,084	5,994,069	1,058,977	104,365	52,613,783
Accumulated Depreciation:							
Beginning balances	-	24,886,622	3,717,818	3,314,529	734,613	68,107	32,721,689
Depreciation	-	1,701,006	437,086	666,903	84,829	10,696	2,900,520
Disposals	-	-	-	(23,014)	(580)	-	(23,594)
Ending balances	-	26,587,628	4,154,904	3,981,432	818,862	78,803	35,598,615
Net Book Values	\$-	\$11,797,660	\$2,916,180	\$2,035,651	\$240,115	\$25,562	\$17,015,168

There are no restrictions on title and no property, plant and equipment are pledged as security for liabilities.

On December 9, 2014, the Parent Company's BOD approved the plan to sell the land and building of RBWII - Philippine Branch and RBWRP to interested buyers as a result of its efficiency measures in the Group's operations. The related property and equipment as of March 31, 2015 were measured at fair value and a provision for impairment loss on property and equipment amounting to \$426,163 was recognized. An independent valuation was obtained to determine the fair values of property and equipment which were based on recent transactions for similar assets within the same industry. The impairment loss has resulted to a reduction in "Excess of the fair value of net assets acquired over the aggregate consideration transferred value" account in the consolidated statement of income. Property and equipment with carrying value of \$11,834,774, net of allowance for impairment loss of \$426,163, was classified as assets held for sale in consolidated statements of financial position. The Parent Company's management expects that sale will be completed within one year from the date of classification.

12. Other Noncurrent Assets

	March 31, 2015	December 31, 2014
Product development costs	\$536,843	\$560,932
Miscellaneous deposits	167,551	167,551
Advances to suppliers	43,440	101,940
Note receivable	87,373	87,373
Others	44,708	44,708
	\$879,915	\$962,504

Miscellaneous deposits pertain to refundable deposits with MERALCO for the installation of CEC's electrical meters and bill deposit equivalent to one month energy consumption.

As of March 31, 2015 and December 31, 2014, CEC has software costs with gross carrying amount of \$39,278 that are fully amortized but are still in active use.

Product development costs pertain to the capitalized cost of developing certain packages or products for specific customers. The development costs met the requirements of PAS 38, *Intangible Assets*, for capitalization. As of March 31, 2015 and December 31, 2014, amortization of product development cost was charged to the consolidated statements of comprehensive income for the development costs incurred in 2013 and 2012, respectively, as these are substantially available for use.

13. Trade and Other Payables

	March 31, 2015	December 31, 2014
Trade	\$4,453,397	\$5,263,140
Accruals:		
Payroll	707,518	878,519
Utilities	361,935	381,567
Interest	51,000	206,336
Others	364,782	99,485
Advances from customers	1,334,831	1,835,464
Others	858,382	769,761
	\$8,131,845	\$9,434,272

Trade payables are non-interest bearing and are generally on 60-90 days terms.

Accruals comprise mainly of accruals for electricity, water, communication, security, shuttle services and professional services.

Advances from customers pertain mainly to downpayments for sales orders.

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

14. Short-term loan

In 2015, CEC obtained a 60 days loan from RCBC amounting to \$528,042 with a 2.25% interest per annum, and additional 90 days with 2.25% per annum amounting to. \$528,421. Additional loans of \$1,700,00 from Security bank with a 1.95% interest per annum for 179 days. And 180 days for 180 days in Bank of the Philippine Island amounting to \$2,268,000 for 1.80% interest per annum. The outstanding balance of short-term loan amounted to \$4,550,509.

On September 5, 2014, CEC obtained additional loans of \$3,300,00 from Security bank with a 2.10% interest per annum. As of December 31, 2014, the outstanding balance of short-term loan amounted to \$2,100,000.

15. Long-term debt

	March 31, 2015	December 31, 2014
5-year corporate note-secured	\$25,933,226	\$8,750,000
Additions:		
Additional availment during the year		10,000,000
Due to business combination		8,479,933
Less deferred financing costs	186,990	65,320
	25,746,236	27,164,613
Less current portion - net of deferred financing costs	2,586,322	3,412,079
	\$23,159,914	\$23,752,534

CHPC

On July 25, 2012, the Parent Company entered into a \$10.0 million Notes Facility Agreement (NFA) with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility Agreement 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 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.

Prior to the maturity date, 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.

In accordance with the NFA, the following ratios based on consolidated financial statements of the Group are required to be maintained:

- debt to equity ratio shall not at any time exceed 2:1

- debt service coverage ratio shall not exceed 1:5
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

The Group is in compliance with the debt covenants as of December 31, 2014 and 2013.

Total interest expense charged to the consolidated statements of comprehensive income amounted to \$238,817 and \$551,334 in March 31, 2015 and December 31, 2014, respectively.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by \$161,515 and \$65,320 as of March 31, 2015 and December 31, 2014, respectively.

RBWII – Philippine Branch

Prior to acquisition, the Philippine Branch obtained a secured interest bearing loan from local commercial bank amounting to \$13.0 million. The principal is payable in 28 quarterly payments of \$464,286 until 2018 and bears annual interest rate of 3.0% plus three month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed for working capital purposes. RBWRP agreed to be the third party mortgagor for the loan obtained by the Branch. The land and building owned by RBWRP with a net book value of \$9.7 million as at December 31, 2012 was used as the collateral for the secured interest-bearing loan.

Interest expense charged to operations for the period August 1, 2014 to December 31, 2014 amounted to \$154,856.

16. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

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

- Advances for operating requirements of Cirtek Holdings, Inc. (CHI), former parent of CEC and CEIC
- Rental of land and lease deposit with Cirtek Land Corporation (CLC), an affiliate, where the manufacturing building 1 and administrative building is situated.
- Payments and /or reimbursements of expenses made or in behalf of the affiliates.
- Rental of land with Cayon Holdings, Inc. (Cayon), an affiliate, where the building 2 of the Group is situated.

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

a. Amounts owed to related parties

	Nature of Transactions	Amount	2014	Outstanding Balances	2014	Terms	Conditions
		March 31, 2015		March 31, 2015			
<i>Other related parties</i>							
CLC	Rental	\$3,426	\$10,630	\$424,105	\$420,679	Due and demandable; non-interest bearing	Unsecured
Cayon	Rental	3,112	12,097	52,580	49,468	Due and demandable; non-interest bearing	Unsecured
		\$6,538	\$22,727	\$476,685	\$470,147		

b. Amounts owed by related parties

	Nature of Transactions	Volume	2014	Outstanding Balances	2014	Terms	Conditions
		March 31, 2015		March 31, 2015			
<i>Other related parties</i>							
CHI	Advances for working capital	\$—	\$—	\$1,809,256	\$1,809,256	Due and demandable; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	—	—	206,284	206,284	Due and demandable; non-interest bearing	Unsecured; no impairment
Camerton, Inc.	Reimbursement of expenses	—	—	33,161	33,161	Due and demandable; non-interest bearing	Unsecured; no impairment
Jerry Liu	Reimbursement of expenses	262,567	2,900,663	3,336,944	3,074,377	Due and demandable; non-interest bearing	Unsecured; no impairment
		\$262,567	\$2,900,663	\$5,385,645	\$5,123,078		

c. Rental deposit

	Amount		Outstanding Balances (see Note 9)		Terms	Conditions
	March 31,2015	2014	March 31, 2015	2014		
<i>Other related party</i>						
CLC	—	\$—	\$1,131,399	\$1,131,399	Due and demandable; non- interest bearing	Unsecured; no impairment

The above related parties are under common ultimate ownership with the Group.

In 2011, the Group entered into the following assignments and set-off agreements with the related parties as part of its corporate restructuring:

Transactions with CHI, Charmview Enterprises Ltd (CEL) and officer

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 the Parent Company.

The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital lines 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 (see Note 26) as of March 17, 2011.

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 (see Note 4), as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of March 31, 2015 and December 31, 2014 pertains to the remaining balance of receivable as a result of the assignments and set-off agreements as discussed above.

Transactions with Camerton

Camerton is the majority shareholder of the Parent Company holding 60% interest. Amounts owed by Camerton as of March 31, 2015 and December 31, 2014 pertain mainly to advances for incorporation expenses of Camerton.

Transactions with CLC and Cayon

CLC is an entity under common ownership with the ultimate parent. CEC had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another 25 years at the option of CEC. The lease agreement provided for an annual rental of \$151,682, subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to \$1.1 million as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of ten (10) years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to \$3,426 and \$3,391 in March 31, 2015 and March 31, 2014, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of ten (10) years and renewable thereafter. Total rent expense charged to operations amounted to \$3,112 and \$3,081 in March 31, 2015 and March 31, 2014, respectively.

The short-term compensation of key management personnel of the Group are as follows:

	March 31, 2015	March 31, 2014
Salaries and wages	\$310,007	\$179,308
Employee benefits	56,515	37,719
	\$366,522	\$217,027

17. Cost of Sales

	March 31, 2015	March 31, 2014
Raw materials, spare parts, supplies and other inventories used	\$7,418,679	\$6,109,824
Salaries, wages and employees' benefits	2,048,932	1,671,582
Utilities	985,733	781,779
Depreciation and amortization	791,476	557,110
Inward freight and duties	199,650	156,023
Change in finished goods and work in process inventories	—	—
Others	211,307	96,722
	\$11,655,777	\$9,373,040

18. Operating expense

	March 31, 2015	March 31, 2014
Salaries, wages and employees' benefits	\$519,856	\$348,910
Utilities	113,496	71,761
Transportation and travel	87,182	50,212
Professional fees	15,112	11,235
Entertainment, amusement and recreation	40,348	37,326
Commissions	4,499	54,808
Depreciation	19,431	12,370
Taxes and licenses	33,097	13,133
Office supplies	6,570	3,096
Insurance premiums	16,033	845
Provision for inventory obsolescence	—	—
Others	(5,696)	33,998
	<u>\$849,928</u>	<u>\$637,694</u>

19. Salaries, Wages and Employees' Benefits

	March 31, 2015	March 31, 2014
Salaries and wages	\$2,062,664	\$1,638,455
Other employees' benefits	442,105	319,925
Retirement costs	61,598	62,112
	<u>\$2,566,367</u>	<u>\$2,020,492</u>

20. Retirement Benefit Obligation

The Group has a funded, noncontributory defined benefit retirement plan which covers all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

21. Other Income (Charges)

	March 31, 2015	March 31, 2014
Sale of scrap	\$34,929	\$142,844
Foreign exchange losses - net	2,908	(112,926)
Others - net	(39,858)	(29,909)
	<u>(\$2,021)</u>	<u>\$9</u>

22. Income Taxes

CEC

On March 24, 1998, the Philippine Economic Zone Authority (PEZA) approved CEC's registration as an ecozone export enterprise at the Laguna Technopark for the manufacture of standard integrated circuits, discrete, hybrid and potential new packages.

Beginning October 30, 2002, the manufacture and export of integrated circuits, discrete and hybrid transferred to PEZA from Board of Investments (where originally registered) and became subject to the 5% gross income tax incentive, as defined under Republic Act (R.A.) No. 7916, the law creating the PEZA.

RBWII – Philippine Branch

The Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeterwave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I – Special Economic Zone (CIP I-SEZ) in accordance with the project study, representations, commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration.

As a PEZA-registered activity, the Philippine Branch is entitled to tax incentives equivalent to 5% of the gross income earned on its registered activities after the income tax holiday (ITH) of four years.

Details of provision for (benefit from) income tax are as follows:

	For the three months ended March 31	
	2015	2014
Current	\$38,258	\$71,585
Deferred	–	–
	\$38,258	\$71,585

The provision for current income tax for the quarterly ended March 31, 2015 and 2014 pertains to the special rate of 5% on taxable gross income of CEC, RBWII – Philippine Branch and RBWRP.

23. Earnings Per Share (EPS)

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

	March 31, 2015	March 31, 2014
Net income	\$1,402,382	\$1,024,329
Weighted average number of common shares outstanding	308,239,419	280,217,654
Basic and diluted EPS	\$0.005	\$0.004

As of March 31, 2015 and 2014, the Parent Company has no dilutive potential common shares.

The weighted average number of common shares outstanding used in the calculation of the EPS is based on the outstanding shares of the Parent Company. The additional shares from stock dividends during the year, 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 as if these shares have been issued in all earlier period presented. Thus, EPS for the years 2013 and 2012 were restated.

24. Operating Segment

The Group has determined that it is operating as one operating segment. Based on management's assessment, no part or component of the business of the Group meets the qualifications of an operating segment as defined by PFRS 8. More specifically:

- There is no significant or obvious distinction among the products assembled by the Group. All products are semiconductor packages that go into electronic products and applications. The assembly process is likewise similar;
- The Group's production facility and head office is located in the Philippines;
- Although production of goods is divided into six divisions, the commercial, technical, operating, marketing and selling matters are made at the executive committee level and not at the division levels. The role of the respective division managers is to ensure that production is on track in meeting its volume forecasts, and that quality standards are consistently met.

Sales are reported internally per division, but profit or loss, assets and liabilities are reported on an entity-wide basis. These information are measured using the same accounting policies and estimates as the Group's consolidated financial statements.

Sales from external customers per division as reported internally are as follows (amounts in thousands):

	March 31, 2015	March 31, 2014
Discrete	\$2,368	\$2,758
Multichip	2,371	3,124
Integrated Circuits (IC)	1,866	2,588
Odr	3,264	—
New Products	1,310	1,227
Quad-Flat No-Leads (QFN)	976	1,050
Hermetics	353	436
Bri	481	—
Ems	462	—
Irfu	604	—
Cou	70	—
	\$14,125	\$11,183

Below are customers contributing to at least 10% of the Group's total sales of each year. Sales to these customers are as follows (amounts in thousands):

	March 31, 2015	March 31, 2014
Major Customer A	\$3,577	\$3,784
Major Customer B	3,130	–
Major Customer C	–	–

The Group's customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the USA. Following shows the revenue distribution of customers by revenue contribution (amounts in thousands):

	March 31, 2015	March 31, 2014
Asia	\$2,903	\$3,443
Europe	4,597	5,591
USA	6,625	2,149
	\$14,125	\$11,183

There are no sales made to entities under common control with the Group.

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these financial instruments is to support the Group's operation. The Group has various other financial instruments such as trade and other receivables, amounts owed by related parties, rental deposits and loans to employees (presented as part of other current assets, miscellaneous deposits (presented under other noncurrent assets), trade and other payables, amounts owed to related parties and derivative liability 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 Group.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and foreign currency risk. The Group'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 Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

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

The table below shows the maximum exposure to credit risk of the Group's financial assets. The maximum exposure is shown net of impairment losses, if any:

	March 31, 2015	December 31, 2014
Cash and cash equivalents*	\$3,093,001	\$12,601,553
Trade and other receivables	13,496,235	15,586,934
Financial assets at FVPL	9,201,747	701,747

	March 31, 2015	December 31, 2014
Amounts owed by related parties	5,385,645	5,123,078
Other current assets		
Rental deposit	1,133,929	1,133,929
Loans to employees	141,959	94,111
Held-to-maturity (HTM) investments	1,181,130	1,181,130
Other noncurrent assets		
Miscellaneous deposits	167,551	167,551
Total credit risk exposure	\$33,801,197	\$36,590,033

*Excluding cash on hand

The aging analyses per class of financial assets that are past due but not yet impaired are as follows:

March 31, 2015

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash and cash equivalents*	\$3,093,001	\$—	\$—	\$—	\$—	\$—	\$3,093,001
Trade and other receivables	10,148,629	2,784,321	149,901	412,929	455	—	13,496,235
Financial assets at FVPL	9,201,747	—	—	—	—	—	9,201,747
Amounts owed by related parties	—	—	—	5,385,645	—	—	5,385,645
Other current assets							
Rental deposit	—	—	—	1,133,929	—	—	1,133,929
Loans to employees	—	—	—	141,959	—	—	141,959
HTM investments	1,181,130	—	—	—	—	—	1,181,130
Other noncurrent assets							
Miscellaneous deposits	167,551	—	—	—	—	—	167,551
	\$23,792,058	\$2,784,321	\$149,901	\$7,074,462	\$455	\$0	\$33,801,197

*Excluding cash on hand

December 31, 2014

	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days		
Cash and cash equivalents*	\$12,601,553	\$—	\$—	\$—	\$—	\$—	\$12,601,553
Trade and other receivables	14,075,613	823,572	654,895	4,546	28,308	—	15,586,934
Financial assets at FVPL	701,747	—	—	—	—	—	701,747
Amounts owed by related parties	—	—	—	—	5,123,078	—	5,123,078
Other current assets							
Rental deposit	—	—	—	—	1,133,929	—	1,133,929
Loans to employees	—	—	—	—	94,111	—	94,111
HTM investments	1,181,130	—	—	—	—	—	1,181,130
Other noncurrent assets							
Miscellaneous deposits	167,551	—	—	—	—	—	167,551
	\$28,727,594	\$823,572	\$654,895	\$4,546	\$6,379,426	\$—	\$36,590,033

*Excluding cash on hand

The tables below summarize the credit quality per class of the Group's financial assets that are neither past due nor impaired:

March 31, 2015

Neither Past Due nor Impaired

	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents *	\$3,093,001	\$—	\$—	\$3,093,001
Trade and other receivables	9,735,245	413,384	—	10,148,629
Financial assets at FVPL	9,201,747	—	—	9,201,747
HTM investments	1,181,130	—	—	1,181,130
Other noncurrent assets				
Miscellaneous deposits	167,551	—	—	167,551
	\$23,378,674	\$413,384	\$0	\$23,792,058

* *excluding cash on hand*

December 31, 2014

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents				
(excluding				
cash on hand)	\$12,601,553	\$—	\$—	\$12,601,553
Trade and other receivables	14,042,759	32,854	—	14,075,613
Financial assets at FVPL	701,747	—	—	701,747
HTM investments	1,181,130	—	—	1,181,130
Other noncurrent assets				
Miscellaneous deposits	167,551	—	—	167,551
	\$27,513,610	\$32,854	\$—	\$28,727,594

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Medium grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay and that have history of sliding beyond the credit terms but pay within 60 days.

Low grade - These are receivables where the counterparty's capability of honoring its financial obligation is doubtful.

Liquidity risk

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

The tables below summarize the maturity analysis of the Group's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

March 31, 2015

	On demand	Less than	1 to 2 years	3 to 5 years	Total
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1 year					
Financial Assets					
Cash and cash equivalents	\$3,093,446	–	\$–	\$–	\$3,093,446
Trade and other receivables	–	15,586,934	–	–	15,586,934
Amounts owed by related parties	5,385,645	–	–	–	5,385,645
	\$8,479,091	\$15,586,934	\$–	\$–	\$24,066,025
Financial Liabilities					
Trade and other payables					
Trade payables	\$5,723,946	\$–	\$–	\$–	\$5,723,946
Accrued expenses	–	2,367,062	–	–	2,367,062
Amounts owed to related parties	476,685	–	–	–	476,685
Long-term debt	–	2,861,800	15,071,429	9,000,000	26,933,229
Derivative liability	–	40,836	–	–	40,836
	\$6,200,631	\$5,269,698	\$15,071,429	\$9,000,000	\$35,541,758

December 31, 2014

	On demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial Assets					
Cash and cash equivalents	\$12,602,322	\$–	\$–	\$–	\$12,602,322
Trade and other receivables	–	15,586,934	–	–	15,586,934
Amounts owed by related parties	5,123,078	–	–	–	5,123,078
	\$17,725,400	\$15,586,934	\$–	\$–	\$33,312,334
Financial Liabilities					
Trade and other payables					
Trade payables	\$5,263,140	\$–	\$–	\$–	\$5,263,140
Accrued expenses	–	1,565,907	–	–	1,565,907
Amounts owed to related parties	470,146	–	–	–	470,147
Long-term debt	–	1,686,010	17,247,742	8,418,943	27,352,695
Derivative liability	–	40,836	–	–	40,836
	\$5,733,286	\$3,292,753	\$17,247,742	\$8,418,943	\$34,692,724

26. Financial Instruments

The following table sets out the categories and class of the Group's financial instruments:

	2015	
	Carrying Amount	Fair Value
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	\$3,093,446	\$3,093,446
Trade and other receivables	13,496,235	13,496,235
Financial assets at FVPL	9,201,747	9,201,747
Amounts owed by related parties	5,385,645	5,385,645
HTM investments	1,181,130	–

(Forward)

	2015	
	Carrying Amount	Fair Value
Other current assets		
Rental deposit	1,133,929	1,133,929
Loans to employees	141,959	141,959
Other noncurrent assets		
Miscellaneous deposits	167,551	167,551
	\$33,801,642	\$32,620,512
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables		
Trade payables	\$5,723,946	\$5,723,946
Accrued expenses	2,367,062	2,367,062
Advances from customers	1,334,830	1,334,830
Derivative liability	40,836	40,836
Amounts owed to related parties	476,685	476,685
Long-term debt	25,746,236	25,746,236
	\$35,689,595	\$35,689,595
	2014	
	Carrying Amount	Fair Value
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	\$12,602,322	\$12,602,322
Trade and other receivables	15,586,934	15,586,934
Financial assets at FVPL	701,747	701,747
Amounts owed by related parties	5,123,078	5,123,078
HTM investments	1,181,130	—
Other current assets		
Rental deposit	\$1,133,929	\$1,133,929
Loans to employees	94,111	94,111
Other noncurrent assets		
Miscellaneous deposits	167,551	\$167,551
	\$36,590,812	\$35,408,903
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables		
Trade payables	\$5,263,140	\$5,263,140
Accrued expenses	1,565,907	1,565,907
Advances from customers	1,835,464	1,835,464
Derivative liability	40,836	40,836
Amounts owed to related parties	470,147	470,147
Dividends payable	—	—
Long-term debt	27,164,613	27,164,613
	\$36,340,106	\$36,340,106

Fair Values of Financial Instruments

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

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables

The carrying amounts approximate fair value since these are mostly short-term in nature.

Amounts owed by and owed to related parties and rental deposits

The carrying amounts approximate the fair value since these are due and demandable.

Financial assets at FVPL

Financial assets at FVPL are stated at their fair values based on quoted prices. The fair value is determined using the Level 1 of the fair value hierarchy.

HTM Investments

The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date or last trading day as applicable. The fair value is determined using the Level 1 of the fair value hierarchy.

Miscellaneous deposits

The miscellaneous deposits are carried at cost since the timing and related amounts of future cash flows cannot be reasonably and reliably estimated for purposes of establishing its fair value using an alternative valuation technique.

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 3.63% to 3.70% in 2012.

Derivative liability

The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity.

a. Capital stock

The roll-forward of the capital stock of the Parent Company follows:

	March 31, 2015	December 31, 2014
Authorized - common shares (₱1 par value)	400,000,000	400,000,000
Issued shares		
Beginning	308,239,419	280,217,656
Upon incorporation	—	—
Upon initial public offering	—	—
Stock dividend- issued and distributed	—	28,021,763
Ending	308,239,419	308,239,419
Issued - 308,239,419 shares	\$7,203,869	\$7,203,869
Undistributed shares (see Note 26) - 30,823,942 shares	689,265	689,265
	\$7,893,134	\$7,893,134

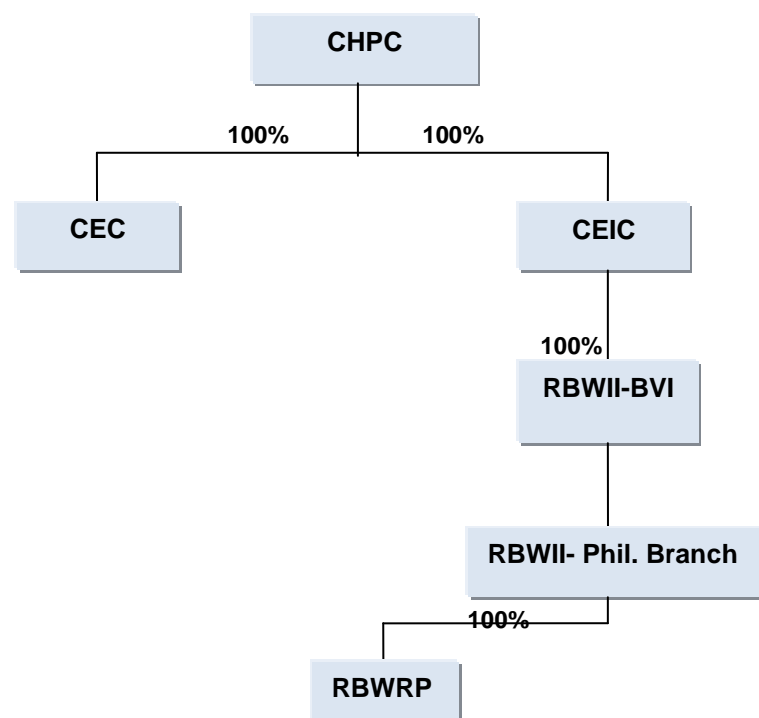
On November 18, 2011, the Parent Company listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million (\$6.8 million). The Parent Company incurred transaction costs incidental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

As of March 31, 2015 and December 31, 2014, the Parent Company has a total 18 and 80 number of stockholders, respectively.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
AS AT AND FOR THE FIRST QUARTER ENDED MARCH 31, 2015

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE
COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-
SUBSIDIARIES
MARCH 31, 2015



SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

**CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE REQUIRED
UNDER SRC RULE 68, AS AMENDED (2011)**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				✓
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee 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	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments *	See footnote.*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	See footnote.*		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	See footnote.*		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	See footnote.*		
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	See footnote.*		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

*Standards and interpretations which will become effective subsequent to December 31, 2014.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiatives*	See footnote.*		
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 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	See footnote.*		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	See footnote.*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions*	See footnote.*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	See footnote.*		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	See footnote.*		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓

*Standards and interpretations which will become effective subsequent to December 31, 2014.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	See footnote. *		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2—Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*	See footnote. *		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

*Standards and interpretations which will become effective subsequent to December 31, 2014.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

CIRTEK HOLDINGS PHILIPPINES CORPORATION**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION****MARCH 31, 2015**

Unappropriated Retained Earnings, beginning		\$71,671
Adjustments in previous year's Reconciliation:		
Less: Non-actual/unrealized income net of tax		
Unappropriated Retained Earnings, as adjusted, beginning		71,671
Net Income based on the face of AFS	\$1,163,255	
Add: Non-actual losses	—	
Less: Non-actual/unrealized income net of tax	—	
Net Income Actual/Realized		1,163,255
Transfer from Appropriated to Unappropriated Retained Earnings		—
Unappropriated Retained Earnings, as adjusted, ending		—
Less: Dividends declared in 2014		
Cash dividends declared	(1,200,000)	
Stock dividends declared		(1,200,000)
Retained earnings available for dividend declaration		\$34,926

CIRTEK HOLDINGS PHILIPPINES CORPORATION
FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2015

Ratios	Formula	31-Mar-15	31-Dec-14
(i) Current Ratio	Current Assets/Current Liabilities	3.47	3.56
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	0.72	0.76
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	0.63	0.41
(iii) Asset to Equity Ratio	Total Assets/Total Equity	2.15	2.17
(iv) Interest Cover Ratio	EBITDA/Interest Expense	10.18	13.43
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	0.17	0.15
Net Profit Margin	Net Income/Revenues	0.10	0.13
EBITDA Margin	EBITDA/Revenues	0.17	0.14
Return on Assets	Net Income/Total Assets	0.02	0.08
Return on Equity	Net Income/Total Equity	0.04	0.18

*EBITDA = Operating income before working capital changes

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	\$3,093,446	\$3,093,446	—
Trade and other receivables	N/A	13,496,235	13,496,235	—
Financial asset at fair value through profit or loss	N/A	9,201,747	9,201,747	—
Amounts owed by related parties	N/A	5,385,645	5,385,645	—
Other current assets				
Rental deposit	N/A	1,133,929	1,133,929	—
Loan to employees	N/A	141,959	141,959	—
Held-to-maturity investments	N/A	1,188,130	1,188,130	—
Other noncurrent assets				
Miscellaneous deposits	N/A	167,551	167,551	—
		\$33,808,642	\$33,808,642	\$—

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND
PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

Amounts Receivable from Officers, Employees and Related Parties under Trade and other receivables

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Advances to officers and employees	\$94,111	\$64,158	(\$16,310)	\$141,959	\$—	\$141,959
	\$94,111	\$64,158	(\$16,310)	\$141,959	\$—	\$141,959

Amounts owed by Related Parties

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holding, Inc.	\$1,809,256	\$—	\$—	\$1,809,256	\$—	\$1,809,256
Carmerton, Inc.	33,161	—	—	33,161	—	33,161
Cayon Holdings, Inc.	206,284	—	—	206,284	—	206,284
Jerry Liu	3,074,377	262,567	—	3,336,944	—	3,336,944
	\$5,123,078	\$262,567	\$—	\$5,385,645	\$—	\$5,385,645

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM
RELATED PARTIES WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED MARCH 31, 2015

Receivables from related parties which are eliminated during the consolidation

(under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Cirtek Electronics Corporation	\$22,838,393	\$3,236,952	\$—	\$—	\$26,075,345	\$—	\$26,075,345
Cirtek Electronics International Corporation	17,154,885	2,672,974	—	—	19,827,859	—	19,827,859
Cirtek Holdings Philippines Corporation	37,372,476	2,300,000	—	—	39,672,476	—	39,672,476
	\$77,365,754	\$8,209,926	\$—	\$—	\$85,575,680	\$—	\$85,575,680

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Electronics Corporation	\$43,122,763	\$4,964,350	\$—	\$—	\$48,087,113	\$—	\$48,087,113
Cirtek Electronics International Corporation	9,000,000	—	—	—	9,000,000	—	9,000,000
Cirtek Advanced Technology Solution Inc.	1,499,468	1,615,009	—	—	3,114,477	—	3,114,477
Cirtek Holdings Philippines Corporation	23,743,523	1,630,567	—	—	25,374,090	—	25,374,090
	\$77,365,754	\$8,209,926	\$—	\$—	\$85,575,680	\$—	\$85,575,680

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER
ASSETS
AS AT MARCH 31, 2015

Intangible Assets - Other Assets						
Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Advances to supplier	\$101,940	\$235,930	\$—	\$(294,430)	\$—	\$43,440
Development Cost	560,932	—	(24,089)	—	—	536,843
Notes Receivable	87,373	—	—	—	—	87,373
Miscellaneous Deposit	167,511	—	—	—	—	167,511
	\$917,756	\$235,930	(\$24,089)	(\$294,430)	\$0	\$835,167

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS AT MARCH 31, 2015

Long-term Debt			
Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes Payable	\$18,313,007	\$724,522	\$17,588,485
Interest-bearing loan	7,433,229	1,861,800	5,571,429
	\$25,746,236	\$2,586,322	\$23,159,914

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED
PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS AT MARCH 31, 2015

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
Not Applicable		

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF
OTHER ISSUERS
AS AT MARCH 31, 2015

Guarantees of Securities of Other Issuers				
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
Not Applicable				

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS AT MARCH 31, 2015

Capital Stock						
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Capital Stock	400,000,000	308,239,419	—	—	—	—

Management's Discussion and Analysis of Financial Conditions

Results of Operations

For the three-month period ending March 31, 2015 compared to the three-month period ending March 31, 2014

Revenue

The Company recorded consolidated revenues of US\$14.1 million for the three months ending March 30, 2015, an increase of 26% from US\$11.2 million for the same period in 2014. The growth was accounted for by the contribution of Cirtex ATS and sales growth of CEC's New Product Division. The other divisions in CEC recorded lower sales in the three months ending March 31, 2015 compared to the same period in 2014.

Sales per division

<i>In US\$ 000</i>	For the Three months ended March 31		
	2015	2014	% Inc / (Dec)
<u>CEC</u>			
Discrete	2,368	2,758	(14)
Multichip	2,371	3,124	(24)
IC	1,866	2,588	(28)
QFN	976	1,050	(7)
New Products	1,310	1,227	7
Hermetics	353	436	(19)
<u>CATS</u>			
Cougar	70	-	-
ODR	3,264	-	-
EMS	462	-	-
Bridgewave	481	-	-
IRFU	604	-	-
Total	14,125	11,183	26%

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and changes in finished goods and work in process inventories. The Company's cost of sales increased by 24% to US\$11.7 million in the three months ending March 30, 2015 from US\$9.4 million for the same period in 2014. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, as well as higher salaries and wages and utilities due to the inclusions of CATS in financial consolidation starting August 2014. Other COS items such as depreciation and freight also increased.

- Raw materials, spare parts, supplies and other inventories grew by 21% to US\$7.4 million for the three months ending March 31, 2015 from US\$6.1 million for the same period in 2014.
- Salaries, wages and employees' benefits increased by 23% to US\$2.0 million for the three months ending March 31, 2015, from US\$1.7 million for the same period in 2014.
- Depreciation and amortization increased by 42% to US\$791 thousand for the three months ending March 31, 2015 from US\$557 thousand for the same period in 2014.
- Utility expenses amounted to US\$985 thousand for the three months ending March 31, 2015, from US\$781 thousand for the same period in 2014, an increase 26%.

- Freight and duties increased by 28% to US\$199 thousand for three months ending March 30, 2015 from US\$156 thousand for the same period in 2014.
- Other cost of sales increased by 118% to US\$211 thousand for the three months ending March 31, 2015 from US\$97 thousand for the same period in 2014.

The Company's gross margin was 17% for the three months ending March 31, 2015, one percentage point higher than the gross margin recorded for the same period in 2014

Operating Expenses

The Company's operating expenses for the three months ending March 31, 2015 amounted to US\$849 thousand, 33% higher compared to the US\$637 thousand recorded during the same period in 2014.

Net Income (Loss) Before Income Tax

For the three months ending March 31 2015, the Company recorded a net income before income tax of US\$1.4 million, an increase of 31% compared with US\$1.1 million recorded for the same period in 2014. The increase can be attributed to higher sales and improvement in contribution and operating profit margins.

Provision for Income Tax

Provision for income tax for the three months ending March 31 2015 amounted to US\$38 thousand compared with US\$71 thousand for the same period in 2014, a decrease of 47%.

Net Income After Tax

The Company's net income for the three months ending March 31 2015 amounted to US\$1.4 million, an increase of 37% compared with US\$1.0 million for the same period in 2014.

Financial Condition

For the three-month period ending March 31, 2015 compared to the period ending December 31, 2014

Assets

The Company's cash and cash equivalent for the three months ending March 31, 2015 amounted to US\$3.0 million, compared with US\$12.6 million for the period ending December 31, 2014, a decrease of US\$9.5 million or 75%. The Company invested its excess cash in Unit Trust Funds which is recognized in the balance sheet as Financial assets at fair value.

Trade and other receivables for the three months ending March 31, 2015 amounted to US\$13.5 million, compared with US\$15.6 million for the period ending December 31, 2014, a 13% decrease.

Inventory levels for the nine months ending March 31, 2014 amounted to US\$11.8 million, 10% higher compared with US\$10.8 million for the period ending December 31, 2014.

Financial assets at fair value through profit and loss refer to short-term investments of the Company. For the three months ending March 31 2015, short term investments amounted to US\$9.2 million compared with US\$701 thousand for the period ending December 31 2014, a 1211% increase.

For the three months ending March 31 2015, amounts owed by related parties amounted to US\$5.4 million, compared to US\$5.1 million for the period December 2014.

Other current assets for the three months ending March 31, 2015 totaled US\$2.5 million, compared with US\$1.9 million for the period ending December 31 2014, an increase of 34%. The change was mainly due to the increase in advances to suppliers, loans to employees, and prepaid expenses.

Non-current assets, comprised of Property, plant and equipment (PPE), deferred income taxes and other noncurrent assets for the three months ending March 31, 2015 amounted to US\$20.1 million compared with US\$19 million for the period ending December 31 2014.

Liabilities

The Company's current liabilities is comprised of trade and other payables, long-term debt – current portion and net of deferred financing costs, short-term loan, amounts owed to related parties, income tax payable, dividends payable and derivative liability. For the three months ending March 31, 2015, current liabilities were at US\$16.5 million compared with US\$16.4 million for the period ending December 31, 2014, 1% increase. This can be mainly attributed to increase in trade and other receivables, short-term loan and current portion of long-term debt.

For the three months ending March 31, 2015, the Company's non-current liabilities, comprised of long-term debt – net of current portion and deferred financing costs and retirement benefit obligation, amounted to US\$41.3 million, a 1% decrease compared to US\$41.8 million for the period ending December 31, 2014.

Equity

The Company's shareholders' equity as of the three months ending March 31, 2015 amounted to US\$35.9 million compared with US\$35. million for the period ending December 31, 2014, a 1% increase. The increase in equity was due to profits recorded by the Company in 2015, less cash and stock dividends paid out during the year.

Liquidity and Capital Resources

For the three months ending March 31, 2015, the Company's principal sources of liquidity was cash from sales of its products, IPO proceeds, bank credit facilities and proceeds from its 5-year corporate notes issuance. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's Initial Public Offering, proceeds of the Company's corporate notes issuance, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

For the next 12 months, the Company plans to increase its production further by increasing volume deliveries to existing customers, entering into new production agreements, and expanding its customer base by intensifying its sales and marketing activities.

The following table sets out the Company's cash flows for three months ending March 31, 2015 and the same period 2014:

<i>In US\$ Thousands</i>	For the three months ending March 31	
	2015	2014
Net cash flows provided by/ (used for) operating activities	1,361	846
Net cash flows provided by/ (used for) investing activities	(10,188)	(521)
Net cash flows provided by/ (used for) financing activities	(679)	(1,286)
Net increase (decrease) in cash equivalents	(9,507)	(961)

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US\$1.4 million for the three months ending March 31, 2015, compared with US\$846 thousand for the same period in 2014.

For the three months ending March 30, 2015, net income before tax was US\$1.4 million. After adjustments for depreciation, unrealized foreign exchange gain/losses, interest income/expense, and excess of the fair value of net assets acquired over the aggregate consideration transferred, operating income before change in working capital was US\$2.4 million.

Investing Activities

Net cash used in investing activities amounted to US\$ 10.2 million for the three months ending March 31, 2015. Investing activities mainly involved investment in unit trust funds for and purchase of production-related machinery and equipment. For the same period in 2014, cash used in investing activities totaled US\$ 521 thousand, the bulk of which was spent on production-related machinery and equipment and facility and production tools.

Financing Activities

Net cash flow used for financing activities for the three months ending March 31, 2015 amounted to US\$ 679 thousand. Major financing activities involved payment of cash dividends, payment of short-term and long-term loans, interest and proceeds from availment of short-term loan. For the same period in 2014 financing activities amounted to US\$1.3 million and mainly involved payment of cash dividends, interest payments and proceeds from short-term bank facilities.

Material Changes to the Company's Unaudited Income Statement as of March 31,2015 compared to the Unaudited Income Statement as of March 31,2014 (increase/decrease of 5% or more)

- 26% increase in net sales
Net sales contribution of CATS
- 24% increase in cost of sales
Increase in net sales
- 36% increase in operating expenses
Consolidation of a subsidiary's operating expenses
- 31% increase in Net Income Before Tax
Increase in net sales, higher gross margin and operating margin

- 47% decrease in Provision for Income Tax
Higher contribution of products under income tax holiday
- 37% increase in Net Income After Tax
Increase in sales, higher gross margin and operating profit

Material Changes to the Company's Unaudited Balance Sheet as of March 31, 2015 compared to the Audited Balance Sheet as of December 31, 2014 (increase/decrease of 5% or more)

- 75% decrease in Cash and Cash Equivalent
Increase in working capital and investment in unit investment trust fund
- 13% decrease in Trade and Other Receivables – Net
Consolidation of a subsidiary's trade and other receivables
- 10% increase in inventories
Consolidation of a subsidiary's inventories
- 1211% increase in Financial assets at fair value through profit or loss
- 34% increase in Other Current Assets
Increase in advances to suppliers, loans to employees, and prepaid expenses.

KEY PERFORMANCE INDICATORS

The Company's top five (5) key performance indicators are listed below:

<i>Amounts in thousand US\$, except ratios, and where indicated</i>		2012	2013	2014		Three months ended March 31 2015
EBITDA		7,471	8,385	7,405		2,430
EBITDA Margin		18%	19%	14%		17%
Sales Growth		10%	8%	8%		26%*
Current Ratio (x)		5 x	5 x	5 x		3.5x
Earnings per share** (US\$)		0.024	0.017	0.020		0.005

Note:

**Compared with same period in 2014*

***Earnings per Share was calculated using CHPC's average outstanding common shares from January 1 to March 31 2015 for 2015 and full year for the years 2012 and 2013, 2014*

▪ **EBITDA and EBITDA Margin**

Earnings before interest, tax, depreciation and amortization (EBITDA) provides an indication of the rate of earnings growth achieved.

The EBITDA margin shows earnings before interest, tax, depreciation and amortization as a percentage of revenue. It is a measure of how efficiently revenue is converted into EBITDA.

EBITDA and EBITDAR Margin are not measures of performance under PFRS, and investors should not consider EBITDA and EBITDA Margin in isolation or as alternatives to net income as an indicator of our Company's operating performance or to cash flow from operating, investing and financing

activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA and EBITDA Margin calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

The following table sets out the Company's EBITDA after consolidation entries.

<i>In US\$ 000</i>	For the years ended December 31		Three months ended March 31	
	2012	2013	2014	2015
Net income	4,209	4,636	6620	1402
Add back:				
Interest expense/income-net	60	285	551	176
Provision for income tax	55	260	31	38
Depreciation and amortization	3,037	2,310	2900	811
Unrealized foreign exchange losses		894	61	2
Unrealized mark to market loss/(gain)				
Excess of Fair value of net assets	10		(2574)	-
-EBITDA	7,471	8,385	7405	2430

The table sets forth a reconciliation of the Company's consolidated EBITDA to consolidated net income.

<i>In US\$ 000</i>	For the years ended December 31		Three months ended March 31	
	2012	2013	2014	2015
EBITDA	7,471	8,385	7,405	2,430
Deduct:				
Interest				
expense/(income)	(60)	(285)	(551)	(176)
Provision for				
income tax	((155)	(260)	31	(38)
Depreciation and				
amortization	(3,037)	(2,310)	(2900)	(811)
Unrealized foreign				
exchange losses			62	
Excess of Fair value of				
net assets		-	2574	
Unrealized mark to				
market gain	(10)	-		(2)
Net Income	4,209	4,636	6,620	1,402

- *Sales growth*

Sales growth is a key indicator of the Company's ability to grow the business

- *Current ratio*

Current ratio measures a company's short-term liquidity, i.e. its ability to pay its debts that are due within the next 12 months. It is expressed as the ratio between current assets and current liabilities.

- *Earnings per share*

Earnings per share show the Company's attributable profit earned per share. At constant outstanding number of shares, as the Company's earnings increase, the earnings per share correspondingly increase.

FINANCIAL RISK DISCLOSURE

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation.

The Company does not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

The Company has allocated up to US\$3 Million for capital expenditure for full year 2014, from the proceeds of the Company's Initial Public Offering and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The Company is not aware of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

FINANCIAL RATIOS

	December 31, 2014	As of March 31 2015
Liquidity		
Current ratio	3.56x	3.47 x
Quick ratio	2.9x	2.7x
Profitability		
Gross profit margin	15%	17%
Net profit margin	13%	10%
Leverage ratios		
Debt to asset	0.20	0.25
Debt to equity	0.76	0.72

Cirtek Holdings Philippines Corporation

Report on Uses of Proceeds

As of March 31, 2015

		Php
Net Balance of Proceeds from the offering as of December 31, 2011		247,799,583
Uses of Proceeds		
Acquisition of new equipment	197,146,118	
Working Capital	<u>50,653,465</u>	
Total Uses of Proceeds		<u>247,799,583</u>
Net Balance of proceeds from the offering as of March 31, 2015		<u><u>-</u></u>