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S.E.C. Registration Number

CIRTEK HOLDINGS PHILIPPINES CORPORATION																				

(Company's Full Name)

116 EASTMAIN AVE., PHASE V-SEZ LAGUNA TECHNOPARK BIÑAN LAGUNA																				

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

ANTHONY BUYAWE

Contact Person

729-62-06

Company Telephone Number

Month		Day	
Fiscal Year			

17 A
FORM TYPE

Month		Day	
Annual Meeting			

Secondary License Type, if applicable

Dept. Requiring this Doc.		

Amended Articles Number/Section

Total No. of Stockholders									

Total Amount of Borrowings

Domestic					Foreign				

To be accomplished by SEC Personnel concerned

File Number									

LCU

Document I.D.									

Cashier

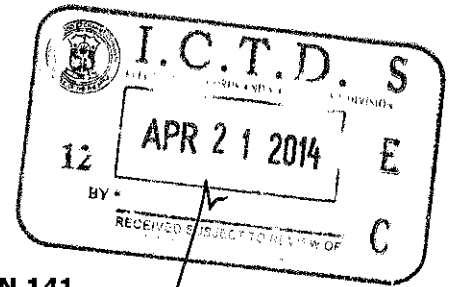
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended December 31, 2013
2. SEC Identification Number: CS2011102137
3. BIR Tax Identification No: 007-979-726
4. Exact name of issuer as specified in its charter
Cirtek Holdings Philippines Corporation
5. Province, Country or other jurisdiction of incorporation or organization: Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: 116 East Main Avenue, Phase V-SEZ Laguna Technopark, Binan Laguna
Postal Code: 4024
8. Issuer's telephone number, including area code: +63 2 729 6206 / +63 49 541 2317
9. Former name, former address, and former fiscal year, if changed since last report: N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares</u>	<u>280,217,654 Common Shares</u>

11. Are any or all of these securities listed on a Stock Exchange.

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. (PSE) Common Shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [☐] No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒] No [☐]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant

~~PhP1,159,596,851 (81,892,433 @ 14.16 per share as of March 31, 2014)~~

PART I BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

Cirtek Holdings Philippines Corporation through its subsidiaries is an independent full service solution provider for subcontract manufacturing of semiconductor devices. The Company provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users.

The Cirtek Group has earned a strong reputation from its customers for its high-quality products, production flexibility, competitive costing and capability to work with customers to develop application and customer specific packages. The Cirtek Group has been accredited and certified by several international quality institutions, namely TÜD SÜD Management Service GmbH, TÜV Product Service Asia Ltd., Taiwan Branch, Defense Supply Center & British Approval Board Telecom, for the latest quality system standards, which include ISO9001, ISO14001, and QS9000/TS16949.

The Company's principal office is located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Binan, Laguna.

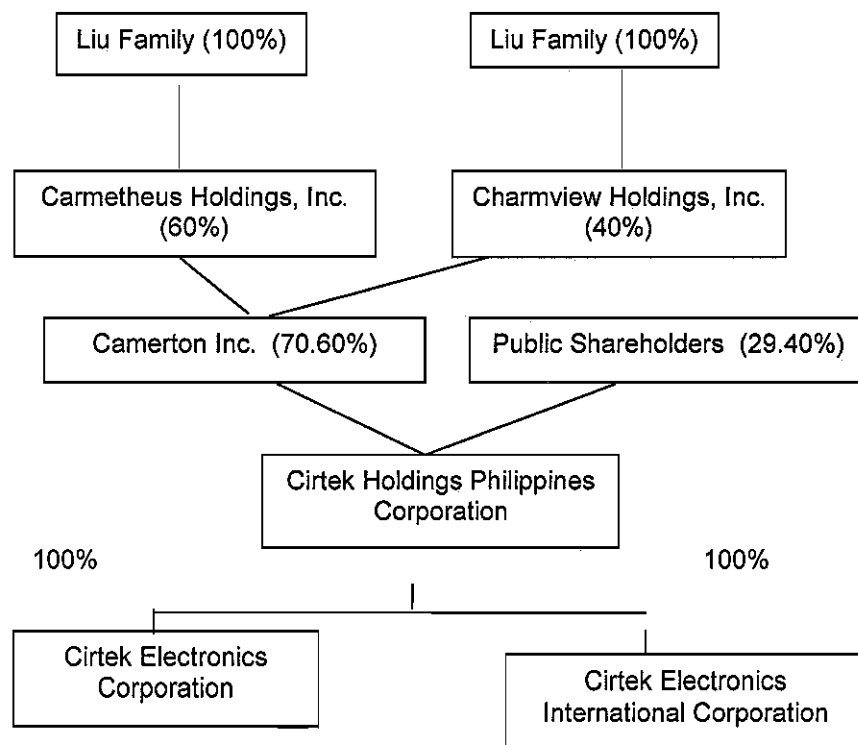
The Company was registered with the SEC on February 10, 2011, with an initial authorized capital stock of ₱400,000,000 divided into 400,000,000 common shares with a par value of One Peso (₱1.00) per share. Of the authorized capital stock, 30% equivalent to 120,000,000 shares or ₱120,000,000.00 was subscribed and fully paid-up.

On February 17, 2011, the Company's Board of Directors and Stockholders approved the acquisition from CHI of 155,511,952 common shares (representing 99.99% of the outstanding capital stock) of CEC and 50,000 shares (representing 100% of the outstanding capital) of CEIC. On March 1, 2011, the two (2) deeds of sale were executed by the Company and CHI in order to implement the transfers.

Corporate Name	Date of Incorporation
Cirtek Electronics Corporation	May 31, 1984
Cirtek Electronics International Corporation	April 4, 1995

In 2013, the Cirtek Group had total revenues of US\$ 44 million, and net income of US\$ 4.8 million. As of December 31, 2012, the Cirtek Group had total assets of US\$ 47.3 million and total liabilities of US\$ 16.7 million.

CORPORATE STRUCTURE



Cirtek Electronics Corporation

CEC was incorporated with the SEC on May 31, 1984, primarily to engage as an independent subcontractor for semiconductor assembly, test and packaging services.

Prior to the Company's acquisition of CEC in 2011, CEC was majority-owned by Charmview, a holding company incorporated in the British Virgin Islands on November 1, 1994 and is owned by the Liu family, wherein the US\$50,000 authorized capital stock is divided equally among Jerry Liu, Nelia Liu, Michael Liu, Justin Liu and Brian Gregory Liu.

In March 24, 2008, Charmview and CHI entered into a Share Swap Agreement whereby Charmview transferred all of its interest in CEC, constituting 155,511,959 common shares, to CHI in exchange for 50,000 common shares of stock of CHI. As a result of the share swap, CEC became a subsidiary of CHI.

On March 1, 2011, CHI and the Company executed the Deed of Absolute Sale of Shares wherein CHI transferred all of its 155,511,959 shares in CEC in favor of the Company for and in consideration of ₱130,000,000, making CEC a wholly-owned subsidiary of the Company.

CEC owns the manufacturing plants in Technopark as well as machinery such as bonder, auto test handler, optical inspection system, wafer back grinder, mold set, and other machinery necessary for the manufacture, assembly and testing of semiconductors.

CEC was previously registered with the Board of Investments (BOI) under Presidential Decree No. 1789, as amended by Batas Pambansa Blg. 391, as a preferred pioneer enterprise for the manufacture and

export of integrated circuits. As a registered enterprise, CEC was entitled to certain tax and nontax incentives provided for in PD 1789.

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 BOI. Since its income tax holiday incentive expired in 2003, CEC is subject to tax at the preferential rate of 5% of its gross income in accordance with Republic Act No. 7916, the law creating the PEZA. In order to maximize the incentives granted under Republic Act No. 7916, CEC applied for the registration of its new products and was granted income tax holiday therefor from 2003 to 2005.

On April 27, 2011, PEZA approved CEC's application for the registration of new projects involving the manufacture of devices which will be used as components for smart phones, automotive sensor applications, battery chargers, and industrial applications.

Cirtek Electronics International Corporation

CEIC was incorporated under the International Business Companies Act of the British Virgin Islands on April 4, 1995. CEIC was incorporated with primarily purpose of selling integrated circuits principally in the United States of America and subcontracts the production of the same to CEC.

Beginning June 8, 1995, CEIC after securing the sales from its customers abroad, would subcontract the assembly, test and/or packaging of the devices to CEC pursuant to a Master Subcontractor Agreement. Under said agreement, CEIC issued purchase orders to CEC stating therein the type of product it will require, the quantity, delivery date and destination together with such other instructions the former may have. In consideration for its services, CEC was paid a service fee depending on the services contracted for a particular purchase order.

Prior to the Company's acquisition of CEIC in 2011, CEIC was majority-owned by Charmview. In March 24, 2008, Charmview and CHI entered into a Share Swap Agreement whereby Charmview transferred all of its interest in CEIC, constituting 50,000 common shares, to CHI in exchange for 50,000 common shares of stock of CHI. As a result of the share swap, CEIC became a subsidiary of CHI.

On March 1, 2011, CHI and the Company executed the Deed of Absolute Sale of Shares wherein CHI transferred all of its 50,000,000 shares in CEIC in favor of the Company for and in consideration of ₱130,000,000, making CEIC a wholly-owned subsidiary of the Company.

After the reorganization, the Company became the parent company of both CEC and CEIC while CHI remains a holding company of the Liu family, which no longer forms part of the post-reorganization structure of the Company.

PRODUCTS

The Company, through CEC, offers a broad range of products that go into various applications. The end application covers practically everything from consumer products to high reliability industrial and military products.

The following are the Company's product lines:

1. Protection products

These products are designed to protect electronic devices from damaging voltage or current spikes. These are in multi-chip SOIC packages, with up to 32 diodes in a single unit.

2. Light sensors

These optical devices sense the intensity of light and trigger the automatic switching on and off of headlights and the automatic adjustment of air conditioning settings in cars. The package is a transparent custom-body QFN.

3. Real time clock

These are precision time keeping devices which contain features like calendars, time of day, trickle charger and memory functions. These devices come with tuning fork cylindrical crystals and are packaged in 16/20L SOIC 300mil body version.

4. Voltage control oscillators (VCO)

This is an electronic oscillator that is designed to be controlled in oscillation frequency by a DC voltage input. Signals may also be fed into the VCO to cause frequency modulation or phase modulation.

5. Electronic Relays

These are opto relays that are used in controlling high voltage and high power equipment. The control is achieved through the physical isolation of high voltage output and the low voltage input side of the device protecting the circuit components and the users. These are packaged in PDIP with an LED and a driver IC coupled together, without electrical connection between them.

6. Power management devices

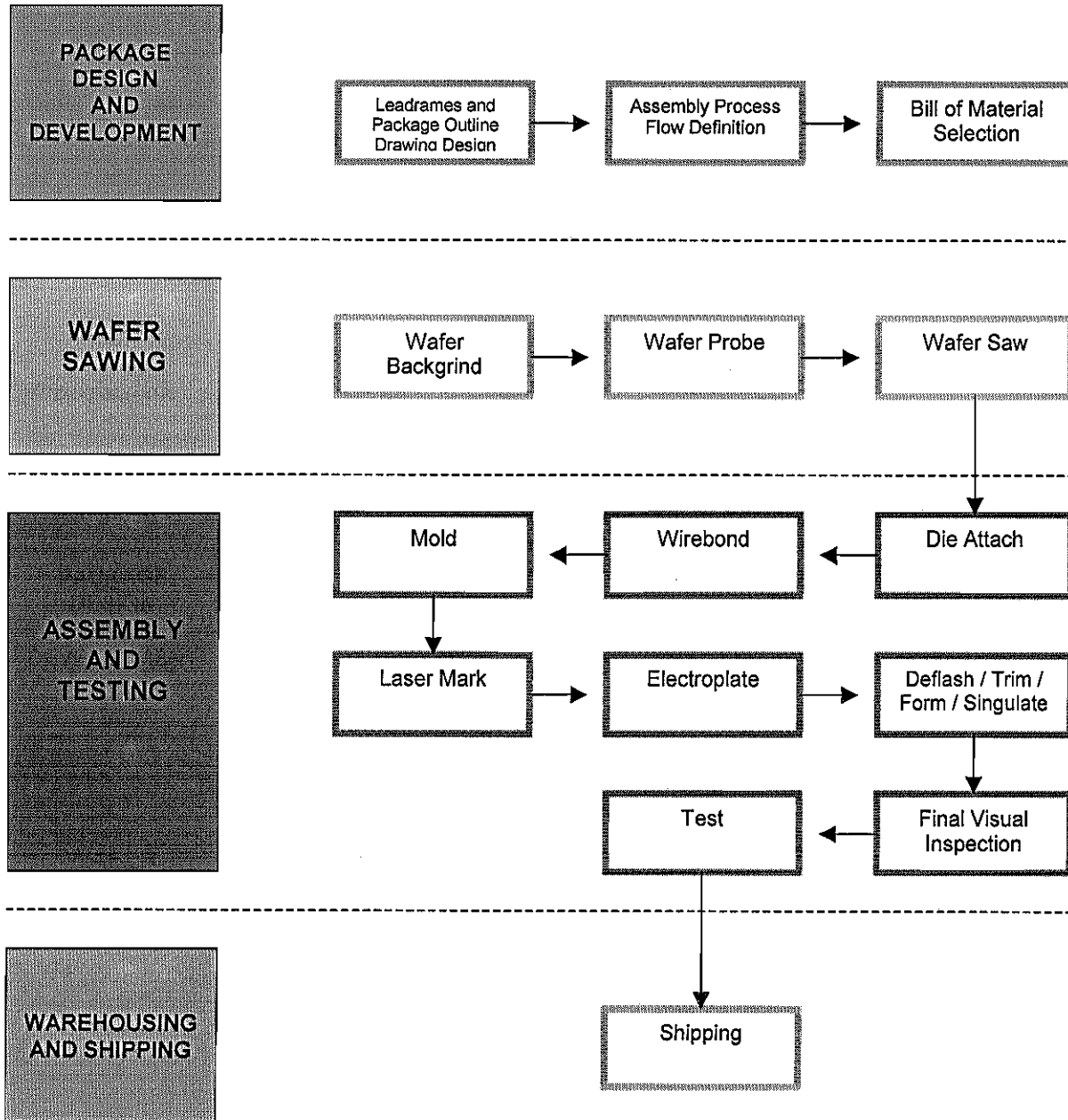
These devices are used in a wide range of power management applications from telecommunications, industrial equipment, portable devices, computers, and networks. These are packaged in SOIC with the die pad exposed.

MANUFACTURING PROCESS FLOW

The Company, through its subsidiary CEC, assembles and tests semiconductor devices at its manufacturing complex located on a 12,740 square meter property in Biñan, Laguna. CEC currently leases the property from Cirtek Land, Inc. and Cayon Holdings, Inc., both of which are majority owned by one of the Company's directors, Nelia T. Liu. CEC's manufacturing facility is composed of two buildings, with a total floor area of 152,000 square feet.

Process Flow

The figure below illustrates the typical manufacturing process for the back-end production of semiconductor products:



The back end semiconductor operation starts with package design and development. The design phase pertains to a.) the determination of the type of package to be used that conforms to industry standards, b.) the substrates that will match the intended package, and c.) the material set that will be used to meet customer specifications. This is followed by tooling selection and ordering.

The development process follows a systematic approach which takes into account the standards required by the end user product. Advanced quality planning is made part of the process to ensure that the critical quality characteristics are fully understood, characterized and tested. Customers are involved as they have to approve the design and any changes that will happen later in the development stage.

The development is only deemed complete once critical processes are proven capable and qualification units and lots are produced and tested for reliability internally and or by the customers.

The fundamental package assembly process starts after the Company receives the wafer silicon from customers. Pre-assembly, the wafers are back grinded to the desired thickness, probed for electrical performance and then sawn to dice the wafers to its individual chip size following customer requirements. The individually sawn dies are then mounted on a copper substrate typically using epoxy adhesives. Other packages made by the Company however, may require other mounting adhesives for enhanced functional performance. Examples of these include, E0201 DFN (used in smart phones) which requires a gold eutectic process or the PQFN (used in charges) which requires solder paste.

The interconnection between die to leads is normally done using gold fine wire. Power packages however use copper clips for higher electrical conductivity. The parts are then encapsulated by an epoxy moulding compound, which are usually opaque.

The parts are then electroplated for protection of the metal leads, trimmed and formed into its final shape or sawn into its final dimensions in the case of 0201DFN, ODFN and PQFN.

These assembled units are electrically tested for functional screening. The good parts are then packed per customer specifications and shipped to its intended destination.

Customers may opt to contract for the entire process flow or for portions thereof, as well require changes, subject to mutual consent to suit the customers' product needs.

CUSTOMERS

Beginning in 1984 with 3 customers, the Cirtek Group has significantly grown its customer base to over 45 major and regular customers as of present date. The Cirtek Group's Company's customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the United States of America. The figure below illustrates the geographic distribution of customers by revenue contribution, over the past 3 years.

**% Contribution to Revenue Per Region
2009-2011**

	2011	2012	2013
Asia	22%	19%	23%
Europe	42%	46%	40%
USA	36%	35%	37%

The Company is not dependent upon a single customer or a few customers or industry, the loss of any of which would have a material adverse effect on the Company. The Company has no single customer contributing more than 20% of the Company's total revenues in the last three years of operation. Neither is the Company reliant on any specific industry since its products have varied applications in different industries.

MARKETING

The Company appoints non-exclusive sales agents around the globe to promote its products and services. These agents help promote and maintain strong relationships by working closely with customers to address and resolve quality issues and communicate timely responses to specific requirements and delivery issues. The Cirtek Group through its subsidiaries currently maintains sales agents in the USA.

Cirtek also performs marketing research for technology development by working closely with its customers through collaboration, conducting surveys and gathering market trends to keep the Company abreast of new packaging techniques and product introductions.

SUPPLIERS

Direct materials used by the Company in the manufacturing process are leadframes, molding compound, wires (gold and copper) and epoxy adhesives. Silicon wafers are provided by Cirtek's customers.

These direct materials are sourced abroad, mainly from Hongkong, Singapore, Malaysia and Korea. Shipment is mostly by air, except for the molding compound, which is by sea because of its weight. In order to mitigate the risk of shortage of these direct materials, the Company has at least two suppliers for each material.

The table below lists the Company's major suppliers for each direct material:

Direct Material	Major Suppliers
Leadframes	-Advanced Metal Substrate Technology (AMST) , Malaysia -Poongsan Microtec Philippines. -PSMC Co. Ltd. , Korea -Possehl Electronics HK. LTD, Hongkong -Dongguan Possehl SEG Elec. Co. Ltd.,China -QPL Limited, Hongkong.
Moulding Compound	-Sumitomo Bakelite Singapore Pte.Ltd, Singapore. -Nitto Denko (Philippines) Corp. Philippines and Japan; -Henkel Philippines Inc., Philippines -Henkel China. -Hitachi Chemical Asia –Pacific Pte. Ltd, Singapore
Epoxy	-Ablestik (Shanghai) Ltd, China -Henkel Corporation, USA -Sumitomo, Japan -APM Technica Ag, Philippines
Wires	-Heraeus Electronics Materials Phils., Inc, Philippines -Heraeus Oriental Hitec Co. Ltd, Korea. -MKE Electron Co Ltd , Korea

COMPETITORS IN THE INDUSTRY

The assembly and testing segment of the semiconductor industry is highly competitive. The Company's competitors include IDM's with their own in-house assembly and testing capabilities, and similar independent semiconductor assembly and test subcontractors, located in the Philippines and in the Asia-Pacific region. Among the Company's competitors are Amkor Technology in Korea and in the Philippines; ASE, Orient Semiconductor Electronics, Ltd., Siliconware Precision Industries Co., Ltd in Taiwan; Unisem and Carsem Semiconductor in Malaysia; Hana Microelectronics in Thailand; STATS ChipPac Ltd. in Singapore, and other Chinese subcontractors such as Diodes Inc. and JCET.

The principal areas of competition are pricing and product quality. The Company believes however, that it has an advantage over its competitors not only in the above-mentioned areas but also because of the following reasons: advanced packaging technology in multiple component products; focus on jointly developed application-specific packages; dedicated line services; and quick turnaround time on customer requirements.

EMPLOYEES

As of March 31, 2014, the Cirtek Group has 1,565 regular employees.

Position	Total
Managers and Executives	30
Engineers	37
Administration	52
Other support groups	541
Rank and File	905
Total	1,565

The majority of the Cirtek Group's employees are employed by the manufacturing company, CEC.

The Cirtek Group is not unionized. However, to foster better employee-management relations, CEC has a labor management council ("LMC") composed of committees with representatives from both labor and management. These committees include the committee on employee welfare and benefit, employees cooperative committee, employee discipline committee and sports and recreation committee, among others.

LMCs are established to enable the workers to participate in policy and decision-making processes in establishment, in so far as said processes will directly affect their rights, benefits and welfare, except those which are covered by collective bargaining agreement or are traditional areas of bargaining. The scope of the council/committee's functions consists of information sharing, discussion, consultation, formulation, or establishment of programs or projects affecting the employees in general or the management.

INTELLECTUAL PROPERTY

The Company does not believe that its operations are dependent on any patent, trademark, copyright, license, franchise, concession or royalty agreement.

RESEARCH AND DEVELOPMENT

Research and development work is performed by a team of 25 experienced engineers with skills developed internally and learned from previous work experiences. Skills are brought in through hiring when necessary while training is a continuing concern to hone the skills of the technical staff.

The Company, through CEC, has successfully cooperated with customers on many projects, co-developing with them new technology that are customer specific that will ensure continuing engagement by the customers. This approach ties up customer with the Company over a long period of time generating revenues from a captive market.

The Company's technology roadmap covers material development and process improvement to improve on cost and to help maintain the margins. The latest materials are identified to meet ever increasing demand for higher quality and lower cost. These are product-application specific that are jointly co-developed with the customers bringing benefits to both parties.

The same technology roadmap resulted in bringing down the material and labor cost. For 2013, there was a reduction of 0.5% in cost of sales from new material developed.

Although the Company engages in research and development activities, the expenses incurred by the Company incurred in connection with these activities are not material.

GOVERNMENT APPROVAL AND PERMITS

All government approvals and permits issued by the appropriate government agencies or bodies which are material and necessary to conduct the business and operations of the Company, were obtained by the Company and are in full force and effect. As a holding company, the Company is only required to obtain a mayor's permit, which was issued to the Company on March 4, 2012 by the City of Biñan, Laguna. Such mayor's permit is required to be renewed within the first twenty (20) days from the beginning of January of the following month.

REGULATORY FRAMEWORK

As a PEZA-registered entity, CEC is required to submit periodic financial and other reports. CEC is also required to submit quarterly, semi-annual and annual reports to the Department of Environment and Natural Resources as part of its Environmental Compliance Certificate requirements. The failure to comply with these reports and with any other requirements or regulations of these government agencies could expose CEC to penalties and the revocation of the registrations.

CEC ensures compliance with these requirements by assigning dedicated personnel to monitor, prepare the necessary filings and liaise with the relevant government agencies.

ITEM 2 PROPERTIES

The Company, through its subsidiary, owns the manufacturing plants in the Laguna Technopark as well as machinery such as bonder, auto test handler, optical inspection system, wafer back grinder, mold set, and other machinery necessary for the manufacture, assembly and testing of semiconductors. All of these properties are free and clear of liens, encumbrances and other charges, and are not subject of any mortgage or other security arrangement.

ITEM 3 LEGAL PROCEEDINGS

There are no pending legal cases against the Company and its management that will have immediate material effect on the financial position and operating results of the Company.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No stockholders' meeting was held between the period June to December, 2013.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The registrant's common equity is principally traded in the Philippine Stock Exchange (PSE). The high and low sales prices for every quarter ended are indicated in the table below:

	2013		2014	
	HIGH	LOW	HIGH	LOW
Q1	28.50	17.80	14.40	12.12
Q2	18.50	14.00		
Q3	16.20	13.80		
Q4	14.90	9.82		

The price of the Corporation's common shares as of March 31, 2014 trading date was PhP14.16 per share.

The number of Shareholders of record as of March 31, 2014 is 17.

Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

The Corporation has not sold any unregistered or exempt securities including recent issuances of securities constituting an exempt transaction.

Top 20 Stockholders of Record as March 31, 2014

Stockholder Name	Number of Shares Held	Percentage of Shareholding
Camerton, Inc.	168,479,985	60.13
PCD Nominee Filipino	111,381,704	39.75
PCD Nominee Non-Filipino	277,827	0.1
Ambrosio J. Makalintal or Maripi A. Makalintal	77,760	0.02
Stephen G. Soliven	220	0
Julius Victor Emmanuel D. Sanvictores	120	0
Owen Nathaniel S. Au ITF Li Marcus Au	28	0
Jorge Aguilar	1	0
Anthony S. Buyawe	1	0
Brian Gregory Liu	1	0
Jerry Liu	1	0
Justin T. Liu	1	0
Michael Stephen Liu	1	0
Nelia T. Liu	1	0
Nicanor P. Lizares	1	0
Martin Lorenzo	1	0
Ernest Fritz Server	1	0
Total	280,217,654	100

Dividends Declaration

On January 15, 2013, the BOD of the Company declared cash dividend amounting to \$1,200,000 or \$0.004796 per share to stockholders of record as of January 31, 2013 payable on February 15, 2013.

In addition to the cash dividend, the BOD also declared a Twenty Percent (20%) stock dividend. During a Special Stockholders Meeting held on March 1, 2013, the stockholders approved the 20% stock dividends payable to stockholders of record as of March 15, 2013 and payment date of April 5, 2013.

During the regular meeting of the BOD of the Company dated July 15, 2013, the BOD approved the declaration of cash dividend to stockholders of record as of July 29, 2013, paid on August 12, 2013.

There are presently no restrictions that limit the payment of dividend on common shares of the Corporation.

Owners of record of more than 5% of the Corporation's voting securities as of March 31, 2014:

Title of Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% of Class
Common	Carmerton, Inc.	Camerton, Inc.	Filipino	168,479,985	60.13%
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	-111,381,704	39.75%

Under PCD account, the following participants hold shares representing more than 5% of the company's outstanding shares

Participant	Number of Shares	Percentage
Evergreen Stock Brokerage	41,025,366	14.6%
Guild Securities, Inc.	31,682,524	11.3%
PCCI Securities Brokers Corp.	29,592,500	10.6%

ITEM 6 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Overview

Cirtek Holdings Philippines Corp. (CHPC), through its subsidiaries Cirtek Electronics Corp. (CEC) and Cirtek Electronics International Corp. (CEIC), provides a broad range of assembly and testing services for various semiconductor devices.

CHPC through its subsidiaries harnesses more than 30 years of operating track record. The Company's products cover a wide range of applications and industries, including communications, consumer electronics, power devices, computing, automotive and industrial.

Factors Affecting the Company's Results of Operations and Financial Conditions

Cyclical Nature of the Semiconductor Industry

The worldwide semiconductor industry has experienced peaks and troughs over the years. From 2011 to 2013, the Outsourced Semiconductor Assembly & Test ("OSAT") market has experience single-digit growth.

Market Conditions for End-User Application of Semiconductor

Market conditions in the semiconductor industry, to a large degree, track those for their end-user applications. Any deterioration in the market conditions for the end-user applications of semiconductors that the Company assembles and tests may reduce demand for our services and, in turn, materially adversely affect our financial condition and results of operations.

The Company has a diversified customer base that operates in different industry spaces. Because of this, the Company's products are likewise used in different industries; this mitigates the effect of downturn in certain industries to the Company's operating results and financial outcomes. Customers are also geographically diverse among Europe, U.S. and Asia; thus, the Company is not dependent on a single geographical market.

Declining Selling Prices of Semiconductor Products

The semiconductor industry is characterized by a general decrease in prices for products and services over time as a result of product and technology life cycles.

The Company constantly reviews and makes innovations in its product and assembly techniques to improve yield and optimize productivity. The Company also prepares cost-reduction roadmaps which it eventually presents to customers in order to gain more orders. The 5% GIT incentive enjoyed by CEC also contributes to the Company's ability to set a more competitive pricing structure. The Company also enjoys income tax holiday for certain products granted by the BOI in 2011, 2012 and 2013.

Critical Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis and are presented in United States (US) dollars (\$), which is also the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional 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 compliance 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) 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 the following subsidiaries as of December 31, 2012 (see Notes 1 and 4):

	Country of Incorporation	Percentage of Ownership
CEC	Philippines	100
CEIC	British Virgin Islands (BVI)	100

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Common Control Business Combination

Business combinations involving entities under common control are accounted for similar to pooling-of-interests method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling-of-interests method:

- the assets and liabilities of the combining entities are reflected at their carrying amounts;
- no 'new' goodwill is recognized as a result of the combination;
- the income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- comparatives are presented as if the entities had always been combined

The financial information in the consolidated financial statements for periods prior to the combination under common control are restated, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination. However, financial information in the consolidated financial statements for periods prior to the combination is restated only for the period that the entities were under common control.

Changes in Accounting Policies and Disclosures

The Group applied, for the first time, certain standards and amendments that require restatement of previous consolidated financial statements. These include PAS 19, *Employee Benefits* (Revised 2011) and amendments to PAS 1, *Presentation of Financial Statements*.

Several other amendments apply for the first time in 2013.

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

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2013

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, 2013. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- **PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)**
These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a) The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c) The net amounts presented in the statement of financial position;
 - d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
 - e) The net amount after deducting the amounts in (d) from the amounts in (c) above.
- **PFRS 10, *Consolidated Financial Statements***
The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.
- **PFRS 11, *Joint Arrangements***
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.
- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).

- **PFRS 13, Fair Value Measurement**
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.
- **PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)**
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.
- **PAS 19, Employee Benefits (Revised)**
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. On January 1, 2013, the Group adopted the Revised PAS 19.

For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

Prior to 2013, actuarial gains and losses are measured using the 10% corridor approach wherein actuarial gains and losses are recognized in income when the net cumulative unrecognized actuarial gains and losses for the retirement plan at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets at that date. These gains and losses are recognized over the remaining estimated working lives of the employees participating in the plan

In 2013, the Group decided to change the policy in recognizing actuarial gains and losses such that all actuarial gains and losses during the year are recognized immediately in other comprehensive income as they occur. This change in accounting policy which is aligned with one of the requirements of Revised PAS 19 is accounted for retroactively, and accordingly, an additional consolidated statement of financial position as at January 1, 2012 is presented in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The following summarizes the effects of this accounting policy change:

	Balance as previously reported	Effect of change in accounting policy	Balance as restated
Personnel costs for the year ended 2011	\$7,739,764	(\$29,222)	\$7,710,542
Net income for the year ended 2011	3,968,828	—	3,961,565
Other comprehensive income for the year ended December 31, 2011	—	—	*
Other comprehensive loss as of Dec. 31, 2011	—	—	—
Retirement benefit obligation as of January 1, 2012	1,511,358	(33,895)	1,477,463
Retained earnings as of January 1, 2012	11,498,011	32,285	11,530,296
Other comprehensive loss as of January 1, 2012	—	—	—
Retirement benefit obligation as of December 31, 2012	1,829,542	177,050	2,006,592
Retained earnings as of December 31, 2012	13,416,523	29,553	1,344,6076

Other comprehensive loss as of December 31, 2012	–	(198,193)	198,193
Personnel costs for the year ended 2012	7,989,788	2,395	7,992,183
Net income for the year ended December 31, 2012	4,409,897	/1,001	4,410,898
Other comprehensive income for the year ended December 31, 2012	–	131,779	131,779

The adoption did not have material impact on consolidated statement of cash flows for the year ended December 31, 2012 and 2011.

- PAS 27, *Separate Financial Statements*** (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.
- PAS 28, *Investments in Associates and Joint Ventures*** (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine***
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.
- PFRS 1, First-time Adoption of International Financial Reporting Standards - *Government Loans* (Amendments)**
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs***
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information***
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it

voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013

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 Group's consolidated financial statements.

Effective in 2014

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36, *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They 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.

- *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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.
- *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. These amendments are effective for annual periods beginning on or after January 1, 2014.
- *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- *Amendments to PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.
- *PFRS 3, Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- *PFRS 13, Fair Value Measurement - Portfolio Exception*
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.
- *PAS 40, Investment Property*
The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's consolidated financial position or performance.
- *PFRS 9, Financial Instruments*
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation 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.

On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment

methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (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 financial statements of the Group.

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 equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and that are subject to an insignificant risk of changes in value.

Financial Instruments

Financial assets

Initial recognition

Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit or loss (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 December 31, 2013, the Group carries a financial asset at FVPL but none in 2012.

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 December 31, 2013 and 2012, 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 sheets).

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 December 31, 2013 and 2012, the Group has no 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 December 31, 2013 and 2012, 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, amount owed to related parties, dividends payable, 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.

The Group's financial liabilities are bank loans, trade and other payables and amounts owed to related parties

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 December 31, 2013 and 2012, 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 based on a certain percentage of direct labor; costs are determined on a standard basis

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:

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

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.

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 de-recognition 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.

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 Cirtek Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties. The Cirtek Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Cirtek 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

Sale of goods is recognized when delivery of subcontracted or assigned production orders has taken place and transfer of risks and rewards of ownership of the goods has been completed.

Interest income

Interest income is recognized as it accrues (using the effective interest 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).

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. 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).

Cirtek 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 statement of income on a straight-line basis over the lease term.

Retirement Cost

The Cirtek Group has a defined benefit retirement plan which covering all its employees. The cost of providing benefits under the defined benefit retirement plan is determined using the projected unit credit actuarial valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

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 statements 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 the companies in the Cirtex Group. Transactions in foreign currencies are initially recorded in the functional currency 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 assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the financial reporting date.

Deferred income tax

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

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

- 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 income nor taxable income 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 and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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 income nor taxable income 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 income 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 income 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 income will allow the deferred income tax asset to be recovered.

Income tax relating to items recognized directly in equity is recognized in other comprehensive income 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.

Retained Earnings

The amount included in retained earnings includes accumulated earnings of the Group and reduced by dividends on capital stock. 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.

Provisions and Contingencies

Provisions are recognized when the Cirtek 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 Cirtek 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 consolidated statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Segment Reporting

For management purposes, the Group has determined that it is operating as one operating segment. However, 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 (see Note 21).

Results of Operations

For the 12-month period ending December 31, 2013 compared to the 12-month period ending December 31, 2012

Revenue

The Company posted consolidated revenue of US\$44 million for the 12-months ending December 31, 2013, a growth of 8% from US\$40.6 million for the same period in 2012. This growth was mainly due to the strong performance of the Company's IC, New Product and Discrete Divisions, which grew by 37%, 22, and 18%, respectively.

Sales per division

In US\$ 000

	For the 12 months ended Dec 31		
	2013	2012	% Inc / (Dec)
Discrete	11,506	9,757	18%
Multichip	8,878	9,081	(2%)
IC	9,903	7,223	37%
QFN	5,097	6,950	(27%)
New Products	6,704	5,476	22%
Hermetics	1,896	2,144	(12%)
Total	43,984	40,631	8%

Cost of Sales and Gross Margin

The Company's cost of sales 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 5% to US\$35.5 million in the 12 months ending 31 December 2013 from US\$33.8 million for the same period in 2012. The increase was primarily due to a rise in the majority of cost of sales items, mainly as a result of higher sales.

- Raw materials, spare parts, supplies and other inventories increased by 11% to US\$23 million for the 12-month period ending 31 December 2013 from US\$20.7 million for the same period in 2012.
- Salaries, wages and employees' benefits rose to US\$7.1 million for the 12-month period ending 31 December 2013, from US\$7 million for the same period in 2012, a change of 2%.
- Depreciation and amortization decreased by 24% for the 12-month period ending 31 December 2013 to US\$2.3 million from US\$3 million for the same period in 2012, as a result of the Company's review of EUL of its fixed assets.
- Utility expenses rose to US\$3.4 million for the 12-month period ending 31 December 2013, from US\$3.1 million for the same period in 2012, a change of 9%.
- Freight and duties for the 12-month period ending 31 December 2013 amounted to US\$709 Thousand, a decrease of 14% from US\$820 Thousand in the same period in 2012.
- Change in finished goods and work in process inventories increased by 25% for the 12-month period ending 31 December 2013, to (US\$1.4 million) from (US\$1 million) for the same period in 2012.

- Other cost of sales increased by 18% to US\$378 Thousand for the 12-month period ending 31 December 2013 from US\$322 Thousand for the same period in 2012.

The Company's gross margin was 19% for the 12-month period ending 31 December 2013, two percentage point higher compared with the 17% gross margin recorded for the same period in 2012.

Operating Expenses

The Company's operating expenses for the 12-month period ending 31 December 2013 amounted to US\$2.4 million compared to US\$2.38 million for the same period in 2012, a slight increase of 1%. The increase was mainly due to business development expenses in the Asian region.

Financial Income / (Expenses)

Net financial expenses for the 12-month period ending 31 December 2013, amounted to US\$285 Thousand, compared to US\$60 Thousand for the same period in 2012, a change of 375%. Financial expenses constitute interest payments made to the banks for working capital lines and the corporate notes facility.

Other Income / Expenses

For the 12-month period ending 31 December 2013, the Company recorded other charges amounting US\$894 Thousand, compared to income of US\$160 Thousand for the same period in 2012. The charges were due to temporary difference pertaining to unrealized foreign exchange loss and unrealized mark-to-market loss.

Net Income (Loss) Before Income Tax

For the 12-month period ending 31 December 2013, the Company recorded a 7% increase in net income before income tax to US\$4.9 million from US\$4.6 million recorded in the same period 2012. The increase can be attributed to higher sales, improved gross margins and minimal increase in operating expenses.

Provision for Income Tax

Provision for income tax for the 12-month period ending 31 December 2013 amounted to US\$260 Thousand. Provision for income tax for 2012 totaled US\$155 Thousand.

Net Income After Tax

The Company's net income for the 12-month period ending 31 December 2013 amounted to US\$4.8 million, an increase of 13% compared with US\$4.2 million for the same period in 2012.

Financial Condition

For the 12-month period ending 31 December 2013 compared to the period ending 31 December 2012.

Assets

The Company's cash and cash equivalent for the 12-month period ending 31 December 2013 amounted to US\$7 million, compared with US\$13.1 million for the period ending 31 December 2012. The change

was due to short-term investments made by the Company in UITF which was classified in the balance sheet as Financial asset at fair value through profit and loss.

Trade and other receivables for the 12-month period ending 31 December 2013 amounted to US\$4 million, compared with US\$5 million for the period ending 31 December 2012, a 20% decrease. The decrease was mainly due higher collection in 2013.

Inventory levels for the 12-month period ending 31 December 2013 amounted to US\$7.5 million, compared with US\$7.6 million for the period ending 31 December 2012, a half percent increase. For the 12-month period ending 31 December 2013, amounts owed by related parties amounted to US\$2.2 million, a 9% increase from the same period ending 31 December 2012.

Other current assets for the 12-month period ending 31 December 2013 totaled US\$1.9 million, a 7% increase compared to the same period in 2012. Other current assets are mainly comprised of rental deposits, advances to suppliers, prepaid expenses and loans to employees.

Property, plant and equipment (PPE) for the 12-month period ending 31 December 2013 totaled US\$15.8 million compared with US\$14.6 million for the period ending 31 December 2012, an increase of US\$1.2 million or 8%. The increase in PPE was due to the acquisition of brand new production-related machinery and equipment amounting to US\$3.5 million which was greater than the accumulated depreciation for 2013 of US\$2.3 million.

Other noncurrent assets for the 12-month period ending 31 December 2013 and 31 December 2012 amounted to US\$688 Thousand and US\$707 Thousand, respectively, a decrease of 3%. Advances to suppliers went down to US\$43 Thousand in 2013 from US\$235 Thousand in 2012.

Liabilities

The Company's current liabilities are comprised of current portion of long-term debt, trade and other payables, short-term loans, amounts owed to related parties, income tax payable, dividends payable, and derivative liability. As of the period ending 31 December 2013, current liabilities were at US\$6.2 million compared with US\$5.8 million for the period ending 31 December 2012, or a 7% increase. This can be attributed to increase in long-term debt -- current portion, short-term loan and derivative liability.

As of the period ending 31 December 2013, the Company's non-current liabilities comprised of long-term debt -- net of current portion and accrued retirement benefit obligation amounted to US\$10.6 million compared with US\$11.5 million for the period ending 31 December 2012, a decrease of 8%. This was mainly due to the lower value of long-term debt as repayment of the principal amount of the corporate notes facility issued by the Company started in Q4 of 2013.

Equity

The Company's shareholders' equity as of 31 December 2013 amounted to US\$30.5 million compared with US\$27.7 million for the period ending 31 December 2012, a 10% increase. The change was mainly due to increase in the Company's retained earnings in 2013.

Liquidity and Capital Resources

For the 12-month period ending 31 December, 2013 the Company's principal source of liquidity was cash from sales of its products, short-term bank loans, and proceeds of its corporate notes issuance, which are primarily earmarked for acquisitions and joint ventures. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months

primarily from the internally generated cash and, from time to time, short-terms bank loans. It may also consider 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 Company may also consider acquisitions and other forms of business cooperation provided these would result in synergies such as gaining new customers, adding new products and packages, acquiring new technologies, and expanding geographic presence.

The following table sets out the Company's cash flows for the 12-month period ending 31 December 2013 and the same period 2012:

<i>In US\$ Thousands</i>	For the 12-month ended December	
	2013	2012
Net cash flows provided by/ (used for) operating activities	9,271	4,516
Net cash flows provided by/ (used for) investing activities	(3,455)	(3,530)
Net cash flows provided by/ (used for) financing activities	(2,814,512)	6,194
Net increase (decrease) in cash equivalents	3,002	7,181

Net Cash Flows from Operating Activities

Net cash provided by operating activities was US\$9.3 million for the 12-month period ending 31 December 2013, while net cash flow provided by operating activities totaled US\$4.5 million for the same period in 2012.

For the 12-month period ending 31 December 2013, net income before tax was US\$4.6 million. After adjustments for depreciation, unrealized foreign exchange gain/losses, and interest income, operating income before change in working capital was US\$7.2 million. Working capital decreased by US\$2.2 million. Trade and other receivables, inventories and prepayments and other assets decreased. Trade and other payables decrease, and retirement benefit obligations increased. Interest received and income taxes paid amounted to US\$138 Thousand and US\$253 Thousand, respectively.

For the 12-month period ending 31 December 2012, net income before tax stood at US\$4.5 million. After adjustments for depreciation, unrealized foreign exchange gain/losses, and interest income, operating income before change in working capital was US\$7.8 million. Working capital decreased by US\$23 Thousand. Interests received amounted to US\$117 Thousand. Cash flow from operations amounted to US\$4.6 million.

Investing Activities

Net cash used in investing activities amounted to US\$3.5 million for the 12-month period ending 31 December 2013. Majority of investing activities involved acquisition of production machinery, tools and equipment. For the same period in 2012, cash used in investing activities totaled US\$3.5million, the bulk of which was accounted for by capital expenditure.

Financing Activities

Net cash flow used in financing activities for the 12-month period ending 31 December 2013 amounted to US\$2.8 million. Financing activities involved payment of cash dividends, short-term loans and interest.

Net cash flow provided by financing activities for the 12-month period ending 31 December 2012 amounted to US\$6.2 million. This amount was mainly accounted for by proceeds from corporate notes issuance (US\$10 million), transaction costs related to the notes issuance short-term loans (US\$153 Thousand), payment of cash dividends (US\$3.6 million), interest expenses (US\$101 Thousand).

Material Changes to the Company's Audited Income Statement as of 31 December, 2013 compared to the Audited Income Statement as of 31 December 2012 (increase/decrease of 5% or more)

Material changes to the Company's Audited Income Statement as of 31 December, 2013 compared to the Audited Income Statement as of 31 December, 2012 are as follows:

- 8% increase in Net Sales
Strong performance of the Company's IC, New Products and Discrete Divisions
- 5% increase in Cost of Sales
Increase in cost of sales items, as a result of higher sales
- 375% increase in Net Financial Expenses
Increase in interest payments due to availment of short-term loans and issuance of corporate notes
- 7% increase in Income Before Income Tax
Better gross margins and lower operating expenses as a percent of sales
- 7% increase in Provision for Income Tax
Income tax holiday enjoyed by certain products and packages
- 13% increase in Net Income (Loss)
Higher sales and better gross margins

Material Changes to the Company's Audited Balance Sheet as of 31 December 2013 compared to the Audited Balance Sheet as of 31 December, 2012 (increase/decrease of 5% or more)

Material changes to the Company's Audited Balance Sheet as of December 31, 2013 compared to the Audited Balance Sheet as of December 31, 2012 are as follows:

- 20% decrease in Trade and Other Receivables – Net
Higher collection

- 7% increase in Non-current Assets
Acquisition of production-related machinery and equipment
- 7% increase in Current Liabilities
Increase in long-term debt -- current portion, short-term loan and derivative liability.
- 8% decrease in Noncurrent Liabilities
Start of repayment of principal amount of corporate notes
- 10% increase in Total Equity
Increase in retained earnings

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>	2011	2012	2013
EBITDA	6,884	7,744	8,385
EBITDA Margin	18%	19%	19%
Sales Growth	8%	10%	8%
Current Ratio (x)	2.2 x	5 x	5 x
Earnings per share* (US\$) ¹	0.016	0.016	0.023

Note:

(1) Earnings per Share was calculated using CHPC's outstanding common shares as of December 31, 2012 for all periods presented

▪ 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 EBITDA 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 Group's EBITDA after consolidation entries.

<i>In US\$ 000</i>	For the years ended December 31		
	2011	2012	2013
Net income	4,000	4,410	4,636
Add back:			
Interest expense	–	–	285
Provision for income tax	150	138	260
Depreciation and amortization	2,734	3,037	2,310
Unrealized foreign exchange losses		149	894
Unrealized mark to market loss		10	
EBITDA	6,884	7,744	8,385

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

<i>In US\$ 000</i>	For the years ended December 31		
	2011	2012	2013
EBITDA	6,884	7,744	8,385
Deduct:			
Interest expense	–	–	(285)
Provision for income tax	(150)	(138)	(260)
Depreciation and amortization	(2,734)	(3,037)	(2,310)
Unrealized foreign exchange losses		(149)	(894)
Unrealized mark to market loss		(10)	
Net income	4,000	4,410	4,636

- *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.

ITEM 7 FINANCIAL STATEMENTS

Please see attached Audited Financial Statements ending 31 December 2013.

**ITEM 8 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING
AND FINANCIAL DISCLOSURE**

None.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9 DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Directors and Executive Officers

All of the Directors and Officers named herein have served in their respective positions since May 31, 2013. The Directors of the Corporation were elected at the annual meeting of the stockholders of the Corporation to hold office until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified.

The following is a brief profile of the Corporation's Directors and Officers for the year 2013-2014.

Jerry Liu, 65 years old was elected as the Company's Chairman and President on February 17, 2011. He is concurrently President/CEO of CEC, Director of Cirtek Land and Cayon Holdings, Inc. and Chairman of Silicon Link, Inc., Mr. Liu holds a Bachelor of Science degree in Physics from Chung Yuan University of Taiwan and an MBA from the University of the East.

Rafael G. Estrada, 62 years old was elected as director of the Company on May 31, 2013. He is Chairman and President of First National Holdings Corporation and Chairman of Delta Agrivet Commercial, Inc. and Water for Calasiao, Inc. Previously, Mr. Estrada served as Vice Chairman of the Social Security System, and served as director for Land Bank of the Philippines, Unmion Bank of the Philippines, Manila Doctors Hospital and Medical Center Manila. He obtained his BS Management degree from the University of Sto. Tomas and his MBA (candidate) from the University of Virginia.

Nicanor Lizares, 49 years old was elected as a director of the Company on February 17, 2011. He is also a director of Pancake House, Inc., and Cirtek Holdings, Inc. He is a partner of Aureos Philippine Advisers, Inc., Mr. Lizares has a Master of Science in Industrial Economics from the Center for Research and Communications and an M.A. in International Relations from Boston University.

Anthony Buyawe, 46 years old was elected as the Company's Treasurer and Chief Financial Officer on February 17, 2011. He is concurrently the CFO of CEC, CEIC and the Figaro Coffee Company. Prior to joining the Company, Mr. Buyawe was CFO of ITP Technologies (2003 – 2005) and SMEDC (2008-2009) and Senior Director of Ernst and Young (2005-2008). Mr. Buyawe obtained his BA degree from the University of the Philippines and his MBA from the Asian Institute of Management.

Jorge Aguilar, 56 years old has been a director of the Company since February 17, 2011. He joined CEC in 1985 and is concurrently EVP/General Manager of CEC, a position he has held since 2004. Mr Aguilar has a Bachelor of Science degree in Mechanical engineering from the Manuel L. Quezon University and an MBA from the Colegio de San Juna de Letran.

Martin Ignacio P. Lorenzo, 47 years old was elected as an Independent Director of the Company on February 17, 2011 and shall serve as such for one year or until his successor is elected and qualified. Mr. Lorenzo is the Chairman and President of Pancake House, Inc and Chairman as well as partner of Macondray & Co., Inc., Mr. Lorenzo graduated from the Ateneo de Manila University with a Bachelor of Science in Management Engineering and earned his MBA from the Wharton Graduate School, University of Pennsylvania in 1990.

Ernest Fritz Server, 70 years old, was elected as an Independent Director of the Company on February 17, 2011 and shall serve as such for one year or until his successor is elected and qualified. Mr. Server serves as the President of Multimedia Telephony Inc., Vice Chairman of RFM Corporation and a director

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

Key Officers

Tadeo Hilado, 60 years old, was elected as the Company's Corporate Secretary on February 17, 2011. Atty. Tadeo is a senior partner at the Angara Abello Concepcion Regala & Cruz law offices. He also serves as director and corporate secretary of several companies including Cocoa Specialties, Inc., Nissan Motor Philippines, Inc., Nissan Autoparts Manufacturing Corporation, Sumisetsu Philippines, Inc., and Samsonite Philippines, Inc., among others. Atty. Tadeo holds a Bachelor of Arts degree from the De La Salle University, Bachelor of Laws degree from the University of the Philippines and a Master of Laws degree from the University of Michigan.

Brian Gregory T. Liu, 26 years old, has been the Assistant Corporate Secretary of the Company since March 2011. He is concurrently a stockholder in Cirtek Electronics Corporation, Cirtek Land Corporation, and Turborg Trading. Mr. Liu trained as an Operations Trainee in Dominos Pizza from 2001 to 2002, then as an Analyst in Evergreen Stockbrokerage & Securities Inc. from 2003 to 2005. He obtained his degree in Management in Financial Institutions from De La Salle University in 2009.

ITEM 10 EXECUTIVE COMPENSATION

As a newly incorporated holding company, the Company has not paid or accrued any compensation prior to 2011. The aggregate compensation during the last fiscal year and to be paid in the ensuing fiscal year to the company's 4 most highly compensated officers and to its officers and directors as a group unnamed is as follows:

Name & Position	Year	Salary	Estimated Bonus
Jerry Liu (President) Anthony Buyawe (CFO) Jorge Aguilar (General Manager) Antonio Callueng (Sales Director)	2013	P=12 million	P2.0 million
Aggregate compensation paid to all officers and directors as a group unnamed	2013	P 13.0 million	P 3.0 million

Name & Position	Year	Estimated Salary	Estimated Bonus
Jerry Liu (President) Anthony Buyawe (CFO) Jorge Aguilar (General Manager) Antonio Callueng (Sales Director)	2014	P=14.0 million	P4.0 million
Aggregate compensation paid to all officers and directors as a group unnamed	2014	P 15.0 million	P 6.0 million

Compensation of Directors

Under the By-Laws of the Company, by resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least majority of the outstanding capital stock at a regular or special meeting of the stockholders.

As of date, the directors have yet to pass a resolution fixing their per diem.

Standard Arrangements and Other Arrangements

There are no other arrangements for compensation either by way of payments for committee participation or special assignments.

There are no other arrangements for compensation either by way of payments for committee participation or special assignments other than reasonable per diem. There are also no outstanding warrants or options held by the Company's Chief Executive Officer, other officers and/or directors.

Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The Cirtek Group has executed employment contract with some of its key officers. Such contracts provide the customary provision on job description, benefits, confidentiality, non-compete, and non-solicitation clauses. There are no special retirement plans for executives. There is also no existing arrangement for compensation to be received by any executive officer from the Company in the event of change in control of the Company.

Warrants and Options

There are no outstanding warrants and options held by any of the Company's directors and executive officers.

ITEM 11 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Owners of record of more than 5% of the corporation's voting securities as of March 31, 2014:

Title of Class	Name, Address of Record Owner, and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	% of Class
Common	Camerton, Inc.	Camerton, Inc.	Filipino	168,479,985	60.13%
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	111,381,704	39.75%

Under PCD account, the following participants hold shares representing more than 5% of the company's outstanding shares

Participant	Number of Shares	Percentage
Evergreen Stock Brokerage	41,025,366	14.6%
Guild Securities, Inc.	31,682,524	11.3%
PCCI Securities Brokers Corp.	29,592,500	10.6%

Except as stated above, the corporation has no knowledge of any person or any group who, directly or indirectly, is the beneficial owner of more than 5% of the corporation's outstanding shares or who has a voting power, voting trust, or any similar agreement with respect to shares comprising more than 5% of the corporation's outstanding common stock.

The number of common shares beneficially owned by directors and executive officers as of March 31, 2014 are as follows:

Title of Class	Name of Beneficial Owner	No. of Shares Held	Citizenship	Percent
Common	Jerry Liu	3	Taiwanese	0.0000
Common	Nelia Liu	1	Filipino	0.0000
Common	Nicanor Lizares	1	Filipino	0.0000
Common	Anthony Buyawe	1	Filipino	0.0000
Common	Jorge Aguilar	1	Filipino	0.0000
Common	Martin Lorenzo	1	Filipino	0.0000
Common	Ernest Fritz Server	1	Filipino	0.0000
Common	Brian Gregory Liu	1	Filipino	0.0000

Voting Trust Holder of 5% or More

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

Description of any arrangement which may result in a change in control of the corporation

No change in control of the corporation has occurred since the beginning of the last fiscal year.

Item 12 Certain Relationships and Related Transactions

The Liu family, primarily through Camerton, Inc., is the largest shareholder in the Corporation, and as of March 31, 2014 owns 198,325,221 shares, or approximately 70.60% of the Corporation's issued and outstanding common shares.

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.
- 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 situated.

The consolidated balance sheet and consolidated statements of income include the following significant account balances resulting from transactions among related parties:

Expenses

Nature of Transaction	s	Amount	Outstanding Balances				
		2013	2012	2013	2012	Terms	Conditions
<i>Other related parties</i>							
CLC	Rental	(\$18,585)	\$41,162	\$410,049	\$428,634	Due and demandable; non-interest bearing	Unsecured
Cayon	Rental	10,427	14,329	37,371	26,944	Due and demandable; non-interest bearing	Unsecured
		(\$8,158)	\$55,491	\$447,420	\$455,578		

Amounts owed by related parties

		Volume		Outstanding Balances			
	Nature of Transactions	2013	2012	2013	2012	Terms	Conditions
<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	6,363	—	206,284	199,921	Due and demandable; non-interest bearing	Unsecured; no impairment
Camerton, Inc.	Reimbursement of expenses	(353)	—	33,161	33,514	Due and demandable; non-interest bearing	Unsecured; no impairment

Jerry Liu	Reimbursement of expenses	173,715	–	173,715	–
		\$179,725	\$–	\$2,222,416	\$2,042,691

Rental deposit

	Amount		Outstanding Balances (see Note 8)		Terms	Conditions
	2013	2012	2013	2012		
Other related party 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 23) 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 December 31, 2012 and 2011 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 December 31, 2012 and 2011 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 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 up to the present 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 8).

Starting 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 \$16,314, \$41,162 and \$15,372 and nil in 2013, 2012, and, 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 \$14,329, \$14,329 and \$12,764 in 2013, 2012 and 2011, respectively.

PART IV – CORPORATE GOVERNANCE

ITEM 13 CORPORATE GOVERNANCE

The Corporation is committed to the ideals of good corporate governance. In compliance with the SEC requirement, The Corporation is studying best practices in good corporate governance to further improve the current corporate governance practices of the Corporation and to develop an efficient and effective evaluation system to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance.

Corporate governance rules/principles were established to ensure that the interest of stakeholders are always taken into account; that directors, officers and employees are conducting business in a safe and sound manner; and that transactions entered into between the Corporation and related interests are conducted at arm's length basis and in the regular course of business. There are no incidences of deviation from the Corporation's Manual of Corporate Governance.

The Corporation has sufficient number of independent directors that gives the assurance of independent views and perspective.

PART V - EXHIBITS AND SCHEDULES

ITEM 14 EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits

Supplemental Schedules

Schedule A	Marketable Securities
Schedule B	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
Schedule C	Non-current Marketable Securities, Other Long-term Investments, and Other Investments

Schedule D	Indebtedness to Unconsolidated Subsidiaries and Affiliates
Schedule E	Property, Plant and Equipment
Schedule F	Accumulated Depreciation
Schedule G	Intangible Assets
Schedule H	Long-term Debt
Schedule I	Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
Schedule J	Guarantees of Securities and Other Issuers
Schedule K	Capital Stock

Summary of IPO Proceeds and Utilization

Reconciliation of Retained Earnings Available for Dividend Declaration

List of Philippine Financial Reporting Standards

(b) Reports on SEC Form 17-C

The following disclosures were filed during the period June to December 2013:

July 4, 2014	Annual Corporate Governance Report for 2012
October 8, 2013	Audit Committee Charter and Audit Committee Assessment

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on _____, 20__.

By:


JERRY LIU
Chairman of the Board and President


ANTHONY BUYAWE
Chief Financial Officer / Controller


TADEO HILADO
Corporate Secretary

APR 15 2014

SUBSCRIBED AND SWORN to before me this _____ day of _____ 20__ affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
<u>Jerry Liu</u>	<u>14906506</u>	<u>01/09/14</u>	<u>Biñan Laguna</u>
<u>Anthony Buyawe</u>	<u>14906501</u>	<u>01/09/14</u>	<u>Biñan Laguna</u>
<u>Tadeo Hilado</u>	<u>00171239</u>	<u>2/27/14</u>	<u>Taguig City</u>

ATTY. JOEL G. GORDOLA

NOTARY PUBLIC

COMMISSION EXPIRES **DEC. 31, 2015**

PTR NO. 9042371, 1/02/2014, Q.C.

ROLL OF ATTORNEY NO. 25103

DOC. NO. 41v
PAGE NO. 87
BOOK NO. 34
SERIES OF h2p

Supplemental Schedules

Cirtek Holdings Philippines Corporation

Report on Uses of Proceeds

As of December 31, 2013

	Php
Net Balance of Proceeds from the offering as of December 31, 2011	247,799,583
Uses of Proceeds	
Acquisition of new equipment	128,312,924
Working Capital	<u>50,653,465</u>
Total Uses of Proceeds	<u>178,966,389</u>
Net Balance of proceeds from the offering as of December 31, 2013	<u><u>68,833,194</u></u>

CIRTEK HOLDINGS PHILIPPINES CORPORATION
Reconciliation of Retained Earnings Available for Dividend Declaration
As of December 31, 2013

	(Amounts in US Dollar)
RETAINED EARNINGS, BEGINNING, <i>as adjusted</i> <i>to available for dividend declaration</i>	\$13,446,076
Add: Net income actually earned/realized during the period	4,636,836
Less: Cash Dividends declared	1,769,937
 Stocks Dividends declared	1,691,385
Balance at December 31, 2013	\$15,165,652

CIRTEK HOLDINGS PHILIPPINES CORPORATION
List of Philippine Financial Reporting Standards
effective as of December 31, 2011

PFRSs	Adopted/Not adopted/ Not applicable
<i>PFRS 1, First-time Adoption of Philippine Financial Reporting Standards</i>	Adopted
<i>PFRS 2, Share-based Payment</i>	Adopted
<i>PFRS 3, Business Combinations</i>	Adopted
<i>PFRS 4, Insurance Contracts</i>	Not Applicable
<i>PFRS 5, Non-current Assets Held for Sale and Discontinued Operations</i>	Adopted
<i>PFRS 6, Exploration for and Evaluation of Mineral Resources</i>	Not Applicable
<i>PFRS 7, Financial Instruments: Disclosures</i>	Adopted
<i>PFRS 8, Operating Segments</i>	Adopted
<i>PAS 1, Presentation of Financial Statements</i>	Adopted
<i>PAS 2, Inventories</i>	Adopted
<i>PAS 7, Statement of Cash Flows</i>	Adopted
<i>PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
<i>PAS 10, Events after the Reporting Period</i>	Adopted
<i>PAS 11, Construction Contracts</i>	Not Applicable
<i>PAS 12, Income Taxes</i>	Adopted
<i>PAS 16, Property, Plant and Equipment</i>	Adopted
<i>PAS 17, Leases</i>	Adopted
<i>PAS 18, Revenue</i>	Adopted
<i>PAS 19, Employee Benefits</i>	Adopted
<i>PAS 20, Accounting for Government Grants and Disclosure of Government Assistance</i>	Adopted
<i>PAS 21, The Effects of Changes in Foreign Exchange Rates</i>	Adopted
<i>PAS 23, Borrowing Costs</i>	Adopted
<i>PAS 24, Related Party Disclosures</i>	Adopted
<i>PAS 26, Accounting and Reporting by Retirement Benefit Plans</i>	Not Applicable
<i>PAS 27, Consolidated and Separate Financial Statements</i>	Adopted
<i>PAS 28, Investments in Associates</i>	Adopted
<i>PAS 29, Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
<i>PAS 31, Interests in Joint Ventures</i>	Adopted
<i>PAS 32, Financial Instruments: Presentation</i>	Adopted
<i>PAS 33, Earnings per Share</i>	Adopted
<i>PAS 34, Interim Financial Reporting</i>	Adopted
<i>PAS 36, Impairment of Assets</i>	Adopted
<i>PAS 37, Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
<i>PAS 38, Intangible Assets</i>	Adopted
<i>PAS 39, Financial Instruments: Recognition and Measurement</i>	Adopted
<i>PAS 40, Investment Property</i>	Adopted

PFRSs	Adopted/Not adopted/ Not applicable
PAS 41, <i>Agriculture</i>	Not Applicable
Philippine Interpretation IFRIC–1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Adopted
Philippine Interpretation IFRIC–2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Adopted
Philippine Interpretation IFRIC–4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC–5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not Applicable
Philippine Interpretation IFRIC–6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not Applicable
Philippine Interpretation IFRIC–7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not Applicable
Philippine Interpretation IFRIC–9, <i>Reassessment of Embedded Derivatives</i>	Adopted
Philippine Interpretation IFRIC–10, <i>Interim Financial Reporting and Impairment</i>	Adopted
Philippine Interpretation IFRIC–12, <i>Service Concession Arrangements</i>	Not Applicable
Philippine Interpretation IFRIC–13, <i>Customer Loyalty Programmes</i>	Not Applicable
Philippine Interpretation IFRIC–14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Adopted
Philippine Interpretation IFRIC–16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Adopted
Philippine Interpretation IFRIC–17, <i>Distributions of Non-cash Assets to Owners</i>	Adopted
Philippine Interpretation IFRIC–18, <i>Transfers of Assets from Customers</i>	Adopted
Philippine Interpretation IFRIC–19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Adopted
Philippine Interpretation SIC–7, <i>Introduction of the Euro</i>	Not Applicable
Philippine Interpretation SIC–10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Adopted
Philippine Interpretation SIC–12, <i>Consolidation - Special Purpose Entities</i>	Adopted
Philippine Interpretation SIC–13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Adopted
Philippine Interpretation SIC–15, <i>Operating Leases – Incentives</i>	Adopted
Philippine Interpretation SIC–21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Adopted
Philippine Interpretation SIC–25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Adopted
Philippine Interpretation SIC–27, <i>Evaluating the Substance of</i>	Adopted

PFRSs	Adopted/Not adopted/ Not applicable
<i>Transactions Involving the Legal Form of a Lease</i>	
Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i>	Not Applicable
Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i>	Not Applicable
Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i>	Adopted

Cirtek Holdings Philippines Corporation and Subsidiaries
Schedule A. Marketable Securities (Marketable Securities and Other Short-term Cash Investments)
December 31 2013

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at balance sheet date	Income received and accrued
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NONE

Cirtex Holdings Philippines Corporation and Subsidiaries
 Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
 December 31, 2013

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off/ settlement	Current	Not Current	Balance at end of period
Cirtex Holding, Inc. *	\$ 1,809,256	\$ -	\$ -	\$ -	\$ 1,809,256	\$ -	\$ 1,809,256
Carmerton, Inc. *	33,514	-	353	-	33,161	-	33,161
Cayon Holdings, Inc. *	199,921	6,363	-	-	206,284	-	206,284
Jerry Liu	-	173,705	-	-	173,705	-	173,705
Jorge Aguilar	21,280	-	1,427	-	19,853	-	19,853
Antonio Callueng	8,867	-	3,924	-	4,943	-	4,943
Anthony Albert Buyawe	-	45,005	-	-	45,005	-	45,005
Vilma Colendra	11,480	-	1,895	-	9,585	-	9,585
Emelita Cruzada	4,602	-	1,969	-	2,633	-	2,633
Gina Gillen	5,280	-	1,641	-	3,639	-	3,639
Susan Lumba	6,455	-	1,538	-	4,917	-	4,917
Luzviminda Veril	-	3,987	-	-	3,987	-	3,987
Crismel Verano	-	4,323	-	-	4,323	-	4,323
Laarni Arnesto	2,019	-	2,019	-	0	-	-
Rosendo Cerezo	2,340	-	1,454	-	886	-	886
Marnie Dinong	-	6,599	1,375	-	5,224	-	5,224
Joey Boy Ferrer	5,477	-	-	-	5,477	-	5,477
Roderich Ignacio	4,012	-	-	-	4,012	-	4,012
Homer Simbul	5,307	12,714	2,014	-	10,700	-	10,700
Raymond Tecson	2,953	3,334	2,850	-	5,791	-	5,791
Jose Yangco	1,038	-	1,679	-	1,274	-	1,274
Josephine Gomez	813	-	1,038	-	0	-	-
			813	-	0	-	(0)
	\$ 2,124,613	\$ 256,030	\$ 25,989	\$ -	\$ 2,354,655	\$ -	\$ 2,354,655

Cirtek Holdings Philippines Corporation and Subsidiaries
Schedule C. Non-current Marketable Securities, Other Long-term Investments, and Other Investments
December 31 2013

Name of issuing entity and description of investment	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends received from investments not accounted for by the equity method
	Number of shares or principal amount of bonds and notes	Amount in Pesos	Equity in earnings (losses) of investees for the period	Other	Distribution of earnings by investees	Other	Number of shares or principal amounts of bonds and notes	Amount in Pesos	

NONE

Cirtek Holdings Philippines Corporation and Subsidiaries
Schedule D. Indebtedness to Unconsolidated Subsidiaries and Affiliates
December 31 2013

Name of Affiliates	Balance at beginning of period	Balance at end of period
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NONE

Cirtek Holdings Philippines Corporation and Subsidiaries

Schedule E. Property, Plant and Equipment

December 31 2013

Classification	Beginning balance	Additions at cost	Retirements	Other charges - additions (deductions)	Ending balance
Machinery and Equipment	\$ 33,987,777	\$ 2,466,200	\$ -	\$ -	36,453,977
Buildings and Improvements	5,649,376	-	-	-	5,649,376
Facility and Production Tools	4,538,972	950,470	-	-	5,489,442
Furniture, Fixtures and Equipment	768,769	57,502	-	-	826,271
Transportation Equipment	86,204	-	-	-	86,204
Total	\$ 45,031,098	\$ 3,474,172	\$ -	\$ -	48,505,270

Cirtek Holdings Philippines Corporation and Subsidiaries

Schedule F. Accumulated Depreciation

December 31 2013

Description	Beginning Balance	Additions charged to costs and expenses	Retirements	Other charges - Add (deduct) describe	Ending balances
Machinery and Equipment	\$ 23,617,503	\$ 1,269,120	\$ -	\$ -	24,886,623
Buildings and Improvements	3,475,650	242,168	-	-	3,717,818
Facility and Production Tools	2,591,241	723,288	-	-	3,314,529
Furniture, Fixtures and Equip	664,349	70,264	-	-	734,613
Transportation Equipment	63,172	4,935	-	-	68,107
Total	\$ 30,411,915	\$ 2,309,775	\$ -	\$ -	32,721,690

Cirtek Holdings Philippines Corporation and Subsidiaries
Schedule G. Intangible Assets & Other Assets
December 31 2013

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Advances to supplier	\$ 234,570	\$ 338,800		\$ (529,930)	\$	43,440
Development Cost	284,303	226,276	\$ (40,614)			469,965
Miscellaneous Deposit	188,540				(14,206)	174,334
	\$ 707,413	\$ 565,076	\$ (40,614)	\$ (529,930)	\$ (14,206)	\$ 687,739

Cirtek Holdings Philippines Corporation and Subsidiaries
Schedule H. Long-term Debt
December 31 2013

Title of issue and type of obligation(1)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
Notes Payable	\$ 9,649,656	\$ 964,977	\$ 8,684,679
	\$ 9,649,656	\$ 964,977	\$ 8,684,679

Cirtek Holdings Philippines Corporation and Subsidiaries
 Schedule I. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)
 December 31 2013

Name of affiliate (1)	Balance at beginning of period	Balance at end of period (2)
-----------------------	--------------------------------	------------------------------

NONE

Cirtek Holdings Philippines Corporation and Subsidiaries
Schedule J. Guarantees of Securities and Other Issuers
December 31 2013

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 filed	Nature of guarantee
--	---	---	---	---------------------

NONE

Cirtek Holdings Philippines Corporation and Subsidiaries

Schedule K. Capital Stock

December 31 2013

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates	Directors, officers and employees	Others
----------------	--------------------------------	---	--	--	--------------------------------------	--------

Capital Stock 400,000,000 280,217,654 - - - -

COVER SHEET

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SEC Registration Number

C	I	R	T	E	K	H	O	L	D	I	N	G	S	P	H	I	L	I	P	P	I	N	E	S	C	O	R	P	O
R	A	T	I	O	N																								

(Company's Full Name)

[illegible]

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

Mr. Anthony Albert S. Buyawe

(Contact Person)

830-8000

(Company Telephone Number)

1	2
---	---

3	1
---	---

Month *Day*
 (Calendar Year)

A	A	F	S	
---	---	---	---	--

(Form Type)

0	5
---	---

3	1
---	---

Month *Day*
 (Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

80

Total No. of Stockholders

\$10 Million

Domestic

Nil

Foreign

To be accomplished by SEC Personnel concerned

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File Number

File Number

LCU

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Document ID

Document ID

Cashier

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

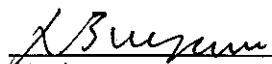
The management of **CIRTEK HOLDINGS PHILIPPINES CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended **December 31, 2013, 2012 and 2011**, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders.

Sycip Gorres Velayo & Co., the independent auditor, appointed by the stockholders for the period December 31, 2013, 2012 and 2011, have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.



Jerry Liu
Chairman of the Board & President



Anthony Buyawe
Chief Financial Officer & Treasurer

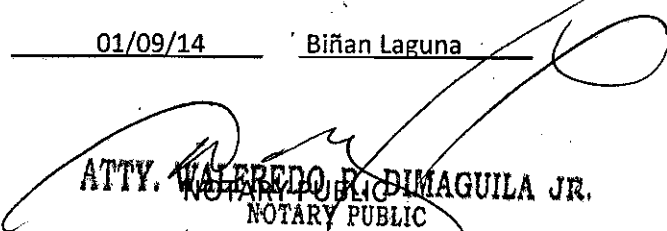
Signed this _____ day of _____.

APR 11 2014

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____, Philippines, affiants exhibited to me their _____ as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
<u>Jerry Liu</u>	<u>14906506</u>	<u>01/09/14</u>	<u>Biñan Laguna</u>
<u>Anthony Buyawe</u>	<u>14906501</u>	<u>01/09/14</u>	<u>Biñan Laguna</u>

Doc. No. 410
Page No. 41
Book No. 14
Series of 2014
FREE NOTARY


ATTY. VALERIANO B. DIMAGUILA JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
ROLL NO. 43733/IBP NO. 570491
PTR NO. 0357912 ISSUED AT
CITY OF BINAN, LAGUNA ON JAN. 03, 2014

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Cirtex Holdings Philippines Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

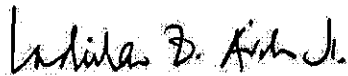
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cirtex Holdings Philippines Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

April 7, 2014

I.C.T.D. S
INTELECTUAL PROPERTY AND MANAGEMENT DIVISION
APR 21 2014
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BY *
RECEIVED SUPERVISOR OF C

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31			
	2013	2012 (As restated - Note 2)	2011 (As restated - Note 2)
NET SALES	\$43,984,426	\$40,631,136	\$37,110,910
COST OF SALES (Notes 7 and 16)	(35,476,436)	(33,790,977)	(31,073,645)
GROSS PROFIT	8,507,990	6,840,159	6,037,265
OPERATING EXPENSES (Note 17)	(2,432,700)	(2,378,331)	(2,157,684)
FINANCIAL INCOME (EXPENSES)			
Interest income (Note 5)	118,370	123,117	26,907
Interest expense (Note 14)	(403,450)	(182,980)	—
	(285,080)	(59,863)	26,907
OTHER INCOME			
(CHARGES) - net (Note 20)	(893,555)	160,008	215,195
INCOME BEFORE INCOME TAX	4,896,655	4,561,973	4,121,683
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 21)			
Current	190,813	215,287	223,486
Deferred	69,006	(60,479)	73,855
	259,819	154,808	149,631
NET INCOME	4,636,836	4,407,165	3,972,052
OTHER COMPREHENSIVE INCOME (LOSS)	131,779	(198,193)	—
TOTAL COMPREHENSIVE INCOME	\$4,768,615	\$4,208,972	\$3,972,052
EARNINGS PER SHARE (Notes 4 and 22) Basic and diluted (2012 and 2011 as restated)	\$0.017	\$0.024	\$0.032

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(See Note 4)

	Capital Stock			Additional Paid-in Capital (Note 4)	Equity Reserve (Note 4)	Other Comprehensive Income	Retained Earnings (Note 24)	Total
	Issued (Note 4)	Undistributed Stock Dividends (Note 24)						
Balances at January 1, 2011, as previously reported	\$4,098,100	\$-		6,008,369	\$-	\$-	\$12,029,183	\$22,135,652
Effect of adoption of Revised PAS 19	-	-		-	-	-	29,061	29,061
Balances at January 1, 2011, as restated	4,098,100	-		6,008,369	-	-	12,058,244	22,164,713
Net income for the year, as previously reported	-	-		-	-	-	3,968,828	3,968,828
Effect of adoption of Revised PAS 19	-	-		-	-	-	3,224	3,224
Net income for the year, as restated	-	-		-	-	-	3,972,052	3,972,052
Other comprehensive income	-	-		-	-	-	-	-
Total comprehensive income	-	-		-	-	-	-	-
Dividends declared at \$90 per CHEIC share (Note 24)	-	-		-	-	-	(4,500,000)	(4,500,000)
Issuance of capital stock	2,747,253	-		-	(13,739)	-	-	2,733,514
Close out capital of acquired subsidiaries (Note 4)	(4,098,100)	-		(6,008,369)	4,138,375	-	-	(5,968,094)
Initial public offering (Note 24)	973,105	-		4,747,250	-	-	-	5,720,355
Application of stock issuance costs against additional paid-in capital	-	-		(13,739)	13,739	-	-	-
Balances at December 31, 2011	\$3,720,358	\$-		\$4,733,511	\$4,138,375	\$-	\$11,530,296	\$24,090,255
Balances at December 31, 2011, as previously reported	\$3,720,358	\$-		\$4,733,511	\$4,138,375	\$-	\$11,498,011	\$24,090,255
Effect of adoption of Revised PAS 19	-	-		-	-	-	32,285	32,285
Balances at December 31, 2011, as restated	3,720,358	-		4,733,511	4,138,375	-	11,530,296	24,122,540
Net income for the year, as previously reported	-	-		-	-	-	4,409,897	4,409,897
Effect of adoption of Revised PAS 19	-	-		-	-	-	(2,732)	(2,732)
Net income for the year, as restated	-	-		-	-	-	4,407,165	4,406,646
Other comprehensive income	-	-		-	-	(198,193)	-	(198,193)
Total comprehensive income	-	-		-	-	(198,193)	4,406,646	4,417,165
Cash dividends declared at \$0.004933 per share (Note 24)	-	-		-	-	-	(800,000)	(800,000)
Stock dividends (Note 24)	740,538	950,847		-	-	-	(1,691,385)	-
Balances at December 31, 2012	\$4,460,896	\$950,847		\$4,733,511	\$4,138,375	\$(198,193)	\$13,446,076	\$27,531,512



	Capital Stock				Equity Reserve (Note 4)	Other Comprehensive Income	Retained Earnings (Note 24)	Total
	Issued (Note 4)	Undistributed Stock Dividends (Note 24)	Additional Paid-in Capital (Note 4)					
Balances at December 31, 2012, as previously reported	\$4,460,896	\$950,847	\$4,733,511	\$4,138,375	\$-	\$13,416,523	\$27,700,152	
Effect of adoption of Revised PAS 19	-	-	-	-	(198,193)	29,553	(170,334)	
Balances at December 31, 2012, as restated	4,460,896	950,847	4,733,511	4,138,375	(198,193)	13,446,076	27,529,818	
Net income for the year	-	-	-	-	-	4,636,836	4,806,884	
Other comprehensive income	-	-	-	-	131,779	-	131,779	
Total comprehensive income	-	-	-	-	131,779	4,806,836	4,938,663	
Issuance of undistributed stock dividends	950,847	(950,847)	-	-	-	-	-	
Cash dividends declared at \$ 0.004796 per share (Note 24)	-	-	-	-	-	(1,119,937)	(1,119,937)	
Stock dividends during the year (Note 24)	1,147,323	-	-	-	-	(1,147,323)	-	
Cash dividends declared at \$ 0.00232 per share (Note 24)	-	-	-	-	-	(650,000)	(650,000)	
Balances at December 31, 2013	\$6,559,066	\$-	\$4,733,511	\$4,138,375	(\$66,414)	\$15,165,652	\$30,530,190	

See accompanying Notes to Consolidated Financial Statements.



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$4,636,836	\$4,561,973	\$4,121,683
Adjustments for:			
Depreciation and amortization (Notes 9, 14 and 15)	3,037,385	3,037,385	2,734,243
Net unrealized foreign exchange losses	22,879	—	—
Interest expense (Note 12)	403,450	182,980	—
Interest income (Note 5)	(118,370)	(123,117)	(26,907)
Change in fair value of financial asset at FVPL	(33,472)	—	—
Mark-to-market loss on forward contracts	102,090	9,480	—
Operating income before working capital changes	7,908,354	7,800,816	6,941,250
Decrease (increase) in:			
Inventories	41,504	(2,232,592)	(2,645,810)
Trade and other receivables	1,004,963	(403,415)	(776,661)
Other current assets	(59,910)	(82,560)	(131,658)
Increase (decrease) in:			
Trade and other payables	(100,125)	(718,351)	694,310
Retirement benefit obligation (Note 17)	262,301	220,177	136,112
Net cash generated from operations	9,057,087	4,584,075	4,217,543
Interest received	70,446	117,436	26,907
Income taxes paid	(197,685)	(185,346)	(160,436)
Net cash flows from operating activities	8,929,848	4,516,165	4,084,014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 9)	(3,474,172)	(3,366,817)	(5,988,419)
Investment in financial asset at FVPL	(8,021,567)	—	—
Increase in other noncurrent assets	—	(163,006)	(171,473)
Cash flows used in investing activities	(11,495,739)	(3,529,823)	(6,562,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loan	400,000	1,500,000	—
Long-term debt (Note 12)	—	10,000,000	—
Transaction costs from availment of long-term debt (Note 12)	—	(152,650)	—
Payment to CHI	—	—	(2,754,505)
Payments of:			
Cash dividends	(1,769,937)	(3,608,003)	(376,000)
Long-term loan	(613,200)	—	—
Short-term loan	(200,000)	(1,500,000)	—
Interest (Note 12)	(317,774)	(100,504)	—
Net cash settlement on forward contracts	(482,073)	—	—
Net movement in amounts owed by and owed to related parties	(635,590)	55,491	(375,754)
Proceeds from:			
Original issuance of capital stock - net	—	—	2,733,514
Initial public offering - net (Note 24)	—	—	5,720,355
Net cash flows from (used in) financing activities	(3,618,573)	6,194,334	5,349,863
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,184,465)	7,180,676	2,871,732
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(97,250)	(47,963)	(63,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,110,962	5,978,249	3,169,654
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	\$7,023,747	\$13,110,962	\$5,978,249

See accompanying Notes to Consolidated Financial Statements.



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 (see Note 4).

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.

The consolidated financial statements of the Group as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 7, 2014.

2. Basis of Preparation, 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 is carried at fair value. The consolidated financial statements are presented in United States (US) dollars (\$), which is also the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional 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) 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 December 31, 2013 and 2012 (see Notes 1 and 4):

	Country of Incorporation	Percentage of Ownership
CEC	Philippines	100
CEIC	British Virgin Islands (BVI)	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 Combination

Business combinations involving entities under common control, which is scoped out of PFRS 3, *Business Combinations* are accounted for similar to pooling-of-interests method. Under the pooling-of-interests method:

- the assets and liabilities of the combining entities are reflected at their carrying amounts;
- no 'new' goodwill is recognized as a result of the combination;
- the income statement reflects the results of the combining entities for the full year, irrespective of when the combination took place; and
- comparatives are presented as if the entities had always been combined

The financial information in the consolidated financial statements for periods prior to the combination under common control are restated, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination. However, financial information in the consolidated financial statements for periods prior to the combination is restated only for the period that the entities were under common control.

Changes in Accounting Policies and Disclosures

The Group applied, for the first time, certain standards and amendments that require restatement of previous consolidated financial statements. These include PAS 19, *Employee Benefits* (Revised 2011) and amendments to PAS 1, *Presentation of Financial Statements*.

Several other amendments apply for the first time in 2013.

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

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year
2013

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, 2013. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the

Country	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040	2050
Japan	7	8	10	12	14	16	18	20	22	24	26
Germany	10	11	12	13	14	15	16	17	18	19	20
France	11	12	13	14	15	16	17	18	19	20	21
Italy	12	13	14	15	16	17	18	19	20	21	22
Spain	13	14	15	16	17	18	19	20	21	22	23
Sweden	14	15	16	17	18	19	20	21	22	23	24
United Kingdom	15	16	17	18	19	20	21	22	23	24	25
United States	16	17	18	19	20	21	22	23	24	25	26
Canada	17	18	19	20	21	22	23	24	25	26	27
South Korea	18	19	20	21	22	23	24	25	26	27	28
China	19	20	21	22	23	24	25	26	27	28	29
India	20	21	22	23	24	25	26	27	28	29	30
Indonesia	21	22	23	24	25	26	27	28	29	30	31
Brazil	22	23	24	25	26	27	28	29	30	31	32
Mexico	23	24	25	26	27	28	29	30	31	32	33
Argentina	24	25	26	27	28	29	30	31	32	33	34
Colombia	25	26	27	28	29	30	31	32	33	34	35
Venezuela	26	27	28	29	30	31	32	33	34	35	36
South Africa	27	28	29	30	31	32	33	34	35	36	37
Nigeria	28	29	30	31	32	33	34	35	36	37	38
Kenya	29	30	31	32	33	34	35	36	37	38	39
India	30	31	32	33	34	35	36	37	38	39	40
China	31	32	33	34	35	36	37	38	39	40	41
Indonesia	32	33	34	35	36	37	38	39	40	41	42
Brazil	33	34	35	36	37	38	39	40	41	42	43
Mexico	34	35	36	37	38	39	40	41	42	43	44
Argentina	35	36	37	38	39	40	41	42	43	44	45
Colombia	36	37	38	39	40	41	42	43	44	45	46
Venezuela	37	38	39	40	41	42	43	44	45	46	47
South Africa	38	39	40	41	42	43	44	45	46	47	48
Nigeria	39	40	41	42	43	44	45	46	47	48	49
Kenya	40	41	42	43	44	45	46	47	48	49	50
India	41	42	43	44	45	46	47	48	49	50	51
China	42	43	44	45	46	47	48	49	50	51	52
Indonesia	43	44	45	46	47	48	49	50	51	52	53
Brazil	44	45	46	47	48	49	50	51	52	53	54
Mexico	45	46	47	48	49	50	51	52	53	54	55
Argentina	46	47	48	49	50	51					

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As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.
- PFRS 1, First-time Adoption of International Financial Reporting Standards - *Government Loans* (Amendments)
The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

- **PFRS 1, *First-time Adoption of PFRS - Borrowing Costs***
The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.
- **PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information***
These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment - Classification of servicing equipment*
The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.
- *PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.
- *PAS 34, Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013

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 Group's consolidated financial statements.

Effective in 2014

- *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36, *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*
These amendments are effective for annual periods beginning on or after January 1, 2014. They 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.
- *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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

- 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. These amendments are effective for annual periods beginning on or after January 1, 2014.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of ‘Effective PFRSs’*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group’s consolidated financial position or performance.



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PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation 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.

On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- **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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (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 financial statements of the Group.

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 December 31, 2013, the Group carries a financial asset at FVPL but none in 2012.

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 December 31, 2013 and 2012, 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 sheets).

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 December 31, 2013 and 2012, the Group has no 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 December 31, 2013 and 2012, 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, amount owed to related parties, dividends payable, 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.

The Group's financial liabilities are bank loans, trade and other payables and amounts owed to related parties

Subsequent measurement

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

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

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

Other financial liabilities

Offsetting of financial instruments

Fair value of financial instruments

'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.
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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.

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 statements 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.

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.

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).



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.

Recognition of deferred tax liability on a subsidiary's undistributed profits

CEIC has an undistributed profit as of December 31, 2013 and 2012 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.

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 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 \$2,309,774, \$3,037,385, and \$2,734,243 in 2013, 2012 and 2011, respectively. As of December 31, 2013 and 2012, the Group's property, plant and equipment have a net book value of \$15,783,581 and \$14,619,183, respectively (see Note 10).

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:

	2013	2012
Advances to suppliers, prepaid expense and others under other current assets (see Note 9)	\$598,944	\$517,517
Property, plant and equipment (see Note 10)	15,783,581	14,619,183
Product development cost, advances to suppliers included under other noncurrent assets (see Note 11)	513,405	518,873

No impairment loss was recognized as of December 31, 2013, 2012 and 2011.

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 \$96,885 for 2013 and 2012. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to \$7,534,619 and \$7,576,123 as of December 31, 2013 and 2012, 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 2012 and 2011, 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 \$6,417,353 and \$7,200,980 as of December 31, 2013 and 2012, respectively (see Notes 6 and 15).

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 \$262,301, \$215,925 and \$179,260 in 2013, 2012 and 2011, respectively. As of December 31, 2013 and 2012, the Group's retirement benefit obligation amounted to \$1,881,835 and \$2,006,592, respectively (see Note 19).

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 December 31, 2013 and 2012, the software costs have been fully amortized (see Note 10). The carrying of capitalized development cost amounted to \$469,965 as of December 31, 2013.

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 \$439,219 and \$90,144 as of December 31, 2013 and 2012, respectively (see Note 21).



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 2013 and 2012 (see Note 25).

4. Common Control Business Combination

As discussed in Note 1, the Parent Company acquired 100% ownership in CEC and CEIC from CHI on March 1, 2011. The acquisition was accounted for by the Parent Company 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 entities had always been combined but depending on whether these entities were under common control for the periods presented. In applying the pooling-of-interests method, the combined capital of CEC and CEIC represents the total paid up capital of the Group for periods prior to the business combination. However, for purposes of calculating earnings per share, the number of the Parent Company's issued common shares is used for all periods presented (see Note 22).

With the acquisition of CEC and CEIC by the Parent Company in 2011, the paid-up capital of the Group represents the paid-up capital of the Parent Company. The equity reserve recognized in the consolidated statement of changes in equity represents the difference between the total consideration for the acquisition of CEC and CEIC and the combined paid-up capital of CEC and CEIC as shown below:

	CEC	CEIC	Total
Purchase consideration			
Cash	\$1,377,252	\$1,377,253	\$2,754,505
Balance payable to CHI (see Note 15)	1,606,794	1,606,795	3,213,589
Total	2,984,046	2,984,048	5,968,094
Net carrying value of capital of acquired subsidiaries	10,056,469	50,000	10,106,469
Equity reserve	(\$7,072,423)	\$2,934,048	\$4,138,375

5. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	\$7,020,304	\$4,523,640
Short-term deposits	3,443	8,587,322
	\$7,023,747	\$13,110,962

6. Trade and Other Receivables

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 \$118,370, \$123,117 and \$26,907 in 2013, 2012 and 2011, respectively

	2013	2012
Trade	\$4,054,523	\$4,939,100
Others (see Note 10)	6,343	126,729
	\$4,060,866	\$5,065,829

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

	2013	2012
At Cost:		
Raw materials	\$2,241,400	\$3,751,572
Finished goods	1,182,590	1,268,069
Work in process	3,115,904	1,702,749
Spare parts	670,508	550,659
	7,210,402	7,273,049
At NRV:		
Supplies and others	324,217	303,074
	324,217	303,074
Total inventories at lower of cost and NRV	\$7,534,619	\$7,576,123

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

The cost of supplies and other inventories amounted to \$421,102 and \$399,959, respectively.

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

	2013	2012
Allowance, beginning	\$96,885	\$31,464
Addition (see Note 17)	—	65,421
Allowance, ending	\$96,885	\$96,885

The cost of inventories recognized as cost of sales amounted to \$22,954,231, \$20,668,115 and \$19,423,825 in 2013, 2012 and 2011, respectively (see Note 16).

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 December 31, 2013 and 2012 is as follows:

	2013
Initial investment	\$8,021,567
Additions during the year	—
Fair value gains (see Note 20)	33,472
Balance at end of year	\$8,055,039

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

9. Other Current Assets

	2013	2012
Rental deposit (see Note 15)	\$1,131,399	\$1,131,399
Advances to suppliers	235,709	321,521
Loans to employees	134,072	92,460
Prepaid expenses	—	114,643
Others	300,106	81,353
	\$1,801,286	\$1,741,376

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

10. Property, Plant and Equipment

December 31, 2013

	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:						
Beginning balances	\$33,987,777	\$5,649,376	\$4,538,972	\$768,769	\$86,204	\$45,031,098
Additions	2,466,200	—	950,470	57,502	—	3,474,172
Disposals	—	—	—	—	—	—
Ending balances	36,453,977	5,649,376	5,489,442	826,271	86,204	48,505,270
Accumulated Depreciation:						
Beginning balances	23,617,503	3,475,650	2,591,241	664,349	63,172	30,411,915
Depreciation	1,300,547	210,740	723,288	70,264	4,935	2,309,774
Disposals	—	—	—	—	—	—
Ending balances	24,918,050	3,686,390	3,314,529	734,613	68,107	32,721,689
Net Book Values	\$11,535,927	\$1,962,986	\$2,174,913	\$91,658	\$18,097	\$15,783,581

December 31, 2012

	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost:						
Beginning balances	\$31,726,965	\$5,579,920	\$3,564,822	\$731,047	\$61,527	\$41,664,281
Additions	2,260,812	69,456	974,150	37,722	24,677	3,366,817
Disposals	—	—	—	—	—	—
Ending balances	33,987,777	5,649,376	4,538,972	768,769	86,204	45,031,098
Accumulated						
Depreciation:						
Beginning balances	22,124,970	2,959,957	1,625,824	602,252	61,527	27,374,530
Depreciation	1,492,533	515,693	965,417	62,097	1,645	3,037,385
Disposals	—	—	—	—	—	—
Ending balances	23,617,503	3,475,650	2,591,241	664,349	63,172	30,411,915
Net Book Values	\$10,370,274	\$2,173,726	\$1,947,731	\$104,420	\$23,032	\$14,619,183

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

11. Other Noncurrent Assets

	2013	2012
Product development costs	\$469,965	\$284,303
Miscellaneous deposits	168,776	188,540
Advances to suppliers	43,440	234,570
Other long-term receivable	5,567	—
	\$687,748	\$707,413

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 December 31, 2013 and 2012, 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 December 31, 2013, amortization of product development cost was charged to the consolidated statements of comprehensive income for the Development costs incurred in 2012 as these are substantially available for use.

12. Trade and Other Payables

	2013	2012
Trade	\$3,487,478	\$3,461,800
Accruals:		
Utilities	416,540	356,301
Payroll	56,554	74,997
Interest	70,200	67,000
Others	42,072	60,906
Advances from customers	153,544	224,541
Others	157,266	168,034

	\$4,383,654	\$4,413,579
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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.

13. Short-term loan

In 2013, CEC obtained a 180-day loan from Chinatrust (Phils.) Commercial Bank Corporation amounting to \$200,000 with a 2.28% interest per annum.

14. Long-term debt

	2013	2012
5-year corporate note-secured	\$9,750,000	\$10,000,000
Less deferred financing costs	100,344	137,174
	9,649,656	9,862,826
Less current portion - net of deferred financing costs	964,977	213,170
	\$8,684,679	\$9,649,656

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, 2013 and 2012.

Total interest expense charged to the consolidated statement of comprehensive income amounted to \$403,450 and \$182,980 in 2013 and 2012, respectively.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by \$100,344 and \$137,174 as of December 31, 2013 and 2012, respectively.

15. 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. Expenses

	Nature of Transactions	Amount	Amounts owed to related parties		Terms	Conditions	
		2013	2012	2013			2012
<i>Other related parties</i>							
CLC	Rental	(\$18,585)	\$41,162	\$410,049	\$428,634	Due and demandable; non-interest bearing	Unsecured
Cayon	Rental	10,428	14,329	37,371	26,944	Due and demandable; non-interest bearing	Unsecured
		(\$8,157)	\$55,491	\$447,420	\$455,578		

b. Amounts owed by related parties

	Nature of Transactions	Volume		Outstanding Balances		Terms	Conditions
		2013	2012	2013	2012		
<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	6,363	—	206,284	199,921	Due and demandable; non-interest bearing	Unsecured; no impairment
Camerton, Inc.	Reimbursement of expenses	(353)	—	33,161	33,514	Due and demandable; non-interest bearing	Unsecured; no impairment
Jerry Liu	Reimbursement of expenses	173,714	—	173,714	—	Due and demandable; non-interest bearing	Unsecured; no impairment
		\$179,724	\$—	\$2,222,415	\$2,042,691		

c. Rental deposit

	Amount		Outstanding Balances (see Note 9)		Terms	Conditions
	2013	2012	2013	2012		
<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 December 31, 2012 and 2011 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 December 31, 2013 and 2012 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 \$16,314, \$41,162 and \$15,372 in 2013, 2012 and 2011, 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 \$14,823, \$14,329 and \$12,764 in 2013, 2012 and 2011, respectively.

Future minimum rental payables under these operating leases are as follows:

	2013	2012
Within one year	\$28,821	\$29,789
After one year but not more than five years	144,103	148,946
More than five years	28,821	59,578
	\$201,744	\$238,313

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

	2013	2012	2011
Salaries and wages	\$538,662	\$499,977	\$552,779
Employee benefits	157,984	160,046	87,355
	\$696,646	\$660,023	\$640,134

16. Cost of Sales

	2013	2012	2011
Raw materials, spare parts, supplies and other inventories used (see Note 7)	\$22,954,231	\$20,668,115	\$19,423,825
Salaries, wages and employees' benefits (see Notes 16 and 17)	7,125,555	6,959,222	6,656,024
Utilities	3,409,564	3,120,341	2,528,813
Depreciation and amortization (see Note 10)	2,260,022	2,985,708	2,694,236
Change in finished goods and work in process inventories (see Note 7)	(1,359,760)	(1,084,142)	(1,103,898)
Inward freight and duties	708,910	819,971	692,006
Others	378,443	321,762	187,639
	<u>\$35,476,436</u>	<u>\$33,790,977</u>	<u>\$31,073,645</u>

17. Operating expense

	2013	2012	2011
Salaries, wages and employees' benefits (see Notes 16 and 17)	\$1,036,979	\$1,032,961	\$1,054,518
Utilities	286,836	287,189	220,900
Transportation and travel	259,143	248,340	229,169
Professional fees	206,825	239,732	94,832
Entertainment, amusement and recreation	248,958	182,575	212,526
Commissions	155,117	158,463	174,283
Provision for (reversal of) inventory obsolescence (see Note 7)	—	65,421	(68,643)
Depreciation (see Note 10)	49,753	51,677	40,007
Taxes and licenses	43,783	33,490	60,562
Office supplies	17,372	24,428	35,517
Insurance premiums	2,711	3,440	3,871
Others	125,223	50,615	100,142
	<u>\$2,432,700</u>	<u>\$2,378,331</u>	<u>\$2,157,684</u>

18. Salaries, Wages and Employees' Benefits

	2013	2012	2011
Salaries and wages	\$6,331,838	\$6,211,521	\$6,144,708
Other employees' benefits	1,591,584	1,561,341	1,424,669
Retirement costs (see Note 19)	239,112	216,926	170,387
	<u>\$8,162,534</u>	<u>\$7,989,788</u>	<u>\$7,739,764</u>

19. 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.

Retirement costs recognized in the consolidated statements of comprehensive income are as

The amounts recognized in the consolidated balance sheets as retirement benefit obligation are as follows:

	2013
Opening fair value of plan assets	\$—
Interest income included in net interest costs	478
Actual return on plan assets excluding interest	(24,262)
Contributions paid	96,292
Translation Difference	(3,209)
Closing fair value of plan assets	\$69,299

Changes in the present value of the obligations are as follows:

	2013	2012 (As restated)
Opening defined benefit obligation	\$2,006,592	\$1,477,464
Current service cost	147,286	114,309
Interest cost	115,014	101,616
Translation difference	(155,624)	112,681
Benefits paid	—	(7,554)
Actuarial loss (gain) on obligation	(162,613)	208,077
Closing present value of defined obligation	\$1,951,134	\$2,006,592

The principal actuarial assumptions used to determine retirement obligations for the Group's retirement plan are as follows:

	2013	2012	2011
Discount rate	5.46%	6.90%	6.68%
Salary increase rate	4.00%	4.00%	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2013, assuming all other assumptions were held constant:

	Increase/(Decrease) (In percentage point)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	(\$243,928)
	-1%	295,722
Future salary increase rate	+1%	\$285,447
	-1%	(240,237)

The Company has contributed \$96,292 to the plan assets in 2013 and nil in 2012. The average duration of the defined benefit obligation at the end of the reporting date is 16 years. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2013:

1 year or less	\$32,581
More than 1 year to 5 years	412,019
More than 5 years	12,089,784

20. Other Income (Charges)

	2013	2012	2011
Sale of scrap	\$111,660	\$244,045	\$141,153
Mark-to-market losses - net	(584,163)	(81,770)	—
Foreign exchange losses - net	(390,651)	(4,940)	(82,063)
Others - net	(30,401)	2,673	156,105
	(\$893,555)	\$160,008	\$215,195

21. Income Taxes

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.

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

	Years Ended December 31		
	2013	2012	2011
Current	\$190,813	\$215,287	\$223,486
Deferred	69,006	(60,479)	73,855
	\$259,819	\$154,808	\$149,631

The provision for current income tax for the year ended December 31, 2013, 2012 and 2011 pertains to the special rate of 5% on taxable gross income of CEC.

The Parent Company did not recognize any provision for income tax in 2012 due to its taxable loss position.

Based on the National Internal Revenue Code Sec. 27, Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Parent Company is subject to MCIT beginning 2015.

A reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income follows:

	Years Ended December 31		
	2013	2012	2011
Income tax at statutory rate of 5% on gross profit and 30% on earnings before taxes for CEC and the Parent Company, respectively	\$244,832	\$221,341	\$219,179
Additions to (reduction in) income tax:			
Taxable income subject to Income Tax			
Holiday	(74,060)	(67,578)	(20,296)
Translation difference and others	(12,434)	(66,761)	20,700
Change in unrecognized deferred income tax assets	104,722	58,853	(118,719)
Interest income subject to final tax	(18,504)	(17,897)	4,343
Non-deductible expenses	3,438	7,355	1,947
Nondeductible entertainment and representation expense	11,825	2,908	(4,743)
Income subject to regular income tax rate	—	—	47,220
	\$259,819	\$154,808	\$149,631

In 2013 and 2012, CEC has availed an income tax holiday of certain product lines. Total gross income for the registered activities of CEC amounted to \$1,481,216 and \$1,351,556 in 2013 and 2012, respectively.

Scrap sales amounted to \$139,701, \$244,045 and \$141,153 in 2013, 2012 and 2011, respectively, is also subjected to 5% tax as these pertain to scrap materials that undergone production process of CEC.

CEC has recognized deferred income tax on temporary differences arising from accrued retirement obligations and the difference between the accounting and tax bases of property, plant and equipment as follows:

	2013	2012 (As restated)
<i>Deferred tax assets</i>		
Accrued retirement	\$86,075	\$85,429
Effect of foreign exchange differences between tax base and financial reporting base	—	64,018
	86,075	95,313
<i>Deferred tax liabilities</i>		
Carrying value of capitalized rent expense	(5,633)	—
Deferred income tax asset related to retirement benefit obligation recognized under other comprehensive income	3,312	66,662
	\$83,754	\$159,331

On the other hand, the Parent Company has temporary difference pertaining to unrealized foreign exchange loss, unrealized mark-to-market loss and NOLCO with an aggregate amount of \$1,464,063 and \$300,480 in 2013 and 2012, respectively. The deferred income tax asset was not recognized in the Parent Company's balance sheet since the management expects that it will not generate sufficient taxable income in the future that will be available to allow part of the deferred income tax assets to be utilized. The components of the unrecognized deferred income tax assets are as follows:

	2013	2012
NOLCO	\$239,426	\$84,932
Unrealized mark-to-market loss	18,376	2,844
Unrealized foreign exchange loss	181,417	2,368
	\$439,219	\$90,144

As of December 31, 2012 and 2011, the Parent Company incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Period of recognition	Availment Period	Amount	Applied	Expired	Balance
2011	2012-2014	\$35,106	\$—	\$—	\$35,106
2012	2013-2015	248,001	—	—	248,801
2013	2014-2016	585,191			585,191
		\$868,298	\$—	\$—	\$868,298

The temporary difference associated with the investment in subsidiary for which no deferred income tax liability has been recognized amount to \$19.8 million and \$5.1 million as of December 31, 2013 and 2012, respectively.



CEIC is exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

22. Earnings Per Share (EPS)

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

	2013	2012	2011
Net income	\$4,636,836	\$4,407,165	\$3,972,052
Weighted average number of common shares outstanding	280,217,664	184,325,277	125,270,375
Basic and diluted EPS	\$0.017	\$0.024	\$0.032

As of December 31, 2013, 2012 and 2011, the Parent Company has no dilutive potential common shares.

The weighted average number of common shares outstanding used in the calculation of the EPS, including 2011, is based on the outstanding shares of the Parent Company (see Note 4). 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 2012 and 2011 were restated.

23. 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):

	2013	2012	2011
Discrete	\$11,506	\$9,757	\$10,726
Multichip	8,878	9,081	10,256
Integrated Circuits (IC)	9,903	7,223	6,946

New Products	6,704	5,476	4,316
Quad-Flat No-Leads (QFN)	5,097	6,950	3,477
Hermetics	1,896	2,144	1,390
	\$43,984	\$40,631	\$37,111

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):

	2013	2012	2011
Major Customer A	\$9,543	\$5,142	\$9,236
Major Customer B	5,486	4,351	5,166
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):

	2013	2012	2011
Europe	\$18,478	\$18,608	\$15,717
USA	14,348	14,336	13,357
Asia	11,158	7,687	8,037
	\$43,984	\$40,631	\$37,111

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

24. 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, dividends payable 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:

	2013	2012
Cash and cash equivalents (excluding cash on hand)	\$7,023,747	\$13,029,790
Trade and other receivables	4,060,867	5,065,047
Financial assets at FVPL	8,055,039	—
Amounts owed by related parties	2,222,416	2,042,692
Other current assets		
Rental deposit	1,131,399	1,131,399
Loans to employees	134,072	92,460
Other noncurrent assets		
Miscellaneous deposits	174,334	234,570
Total credit risk exposure	\$22,789,921	\$21,595,958

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

December 31, 2013

	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 (excluding cash on hand)	\$7,023,747	\$—	\$—	\$—	\$—	\$—	\$7,023,747
Trade and other receivables	3,168,357	775,341	87,894	2,500	26,775	—	4,060,867
Financial Assets at FVPL	8,055,039	—	—	—	—	—	7,023,747
Amounts owed by related parties	—	—	—	—	2,222,416	—	2,222,416
Other current assets							
Rental deposit	—	—	—	—	1,131,399	—	1,131,399
Loans to employees	—	—	—	—	134,072	—	134,072
Other noncurrent assets							
Miscellaneous deposits	174,334	—	—	—	—	—	174,334
	\$18,409,524	\$775,341	\$87,894	\$2,500	\$3,514,662	\$—	\$22,789,921

December 31, 2012

	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 (excluding cash on hand)	\$13,029,790	\$—	\$—	\$—	\$—	\$—	\$13,029,790
Trade and other receivables	3,733,692	799,083	138,080	81,238	312,954	—	5,065,047
Amounts owed by related parties	—	—	—	—	2,042,692	—	2,042,692
Other current assets							
Rental deposit	—	—	—	—	1,131,399	—	1,131,399
Loans to employees	—	—	—	—	92,460	—	92,460
Other noncurrent assets							
Miscellaneous deposits	234,570	—	—	—	—	—	234,570
	\$16,998,052	\$799,083	\$138,080	\$81,238	\$3,579,505	\$—	\$21,595,958

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

December 31, 2013

	Neither Past Due nor Impaired			Total
	High Grade	Medium Grade	Low Grade	
Cash and cash equivalents (excluding cash on hand)	\$7,023,747	\$-	\$-	\$7,023,747
Trade and other receivables	3,139,082	29,275	-	3,168,357
Financial Assets at FVPL	8,055,039	-	-	8,055,039
Other noncurrent assets	-	-	-	-
Miscellaneous deposits	174,334	-	-	174,334
	\$18,380,249	\$29,275	\$-	\$18,409,524

December 31, 2012

	Neither Past Due nor Impaired			Total
	High Grade	Medium Grade	Low Grade	
Cash and cash equivalents (excluding cash on hand)	\$13,029,790	\$-	\$-	\$13,029,790
Trade and other receivables	3,339,500	394,192	-	3,733,692
Other noncurrent assets	-	-	-	-
Miscellaneous deposits	234,570	-	-	234,570
	\$16,603,860	\$394,192	\$-	\$16,998,052

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:

December 31, 2013

	On demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial Assets					
Cash and cash equivalents	\$7,023,747	\$-	\$-	\$-	\$7,023,747
Trade and other receivables	-	4,060,867	-	-	4,060,867
Amounts owed by related parties	2,222,415	-	-	-	2,222,415
	<u>\$9,246,162</u>	<u>\$4,060,867</u>	<u>\$-</u>	<u>\$-</u>	<u>\$13,307,09</u>
Financial Liabilities					
Trade and other payables					
Trade payables	\$3,487,478	\$-	\$-	\$-	\$3,487,478
Accrued expenses	-	567,374	-	-	567,374
Dividends payable	-	-	-	-	-
Amounts owed to related parties	447,420	-	-	-	447,420
Long-term debt	-	1,334,675	4,045,825	5,298,300	10,678,800
Derivative liability	-	102,090	-	-	102,090
	<u>\$3,934,898</u>	<u>\$2,004,139</u>	<u>\$4,045,825</u>	<u>\$5,298,300</u>	<u>\$15,283,162</u>

December 31, 2012

	On demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial Assets					
Cash and cash equivalents	\$13,029,790	\$-	\$-	\$-	\$13,029,790
Trade and other receivables	-	5,065,047	-	-	5,065,047
Amounts owed by related parties	2,042,692	-	-	-	2,042,692
	<u>\$15,072,482</u>	<u>\$5,065,047</u>	<u>\$-</u>	<u>\$-</u>	<u>\$20,137,529</u>
Financial Liabilities					
Trade and other payables					
Trade payables	\$3,461,800	\$-	\$-	\$-	\$3,461,800
Accrued expenses	-	452,005	-	-	452,005
Dividends payable	-	622,997	-	-	622,997
Amounts owed to related parties	455,578	-	-	-	455,578
Long-term debt	-	613,200	2,632,350	8,046,450	11,292,000
Derivative liability	-	9,480	-	-	9,480
	<u>\$3,917,378</u>	<u>\$1,922,223</u>	<u>\$2,632,350</u>	<u>\$8,046,450</u>	<u>\$16,518,401</u>

Foreign currency risk

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

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

	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
2013				
Peso denominated assets	+5%	(\$621,825)	-5%	\$621,825
Peso denominated liabilities	+5%	84,334	-5%	(84,334)
		(\$537,491)		\$537,491
2012				
Peso denominated assets	+5%	(\$227,659)	(5%)	\$227,659
Peso denominated liabilities	+5%	2,569	(5%)	(2,569)
		\$225,090		\$225,090

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

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure, which pertains to its noncurrent liabilities and equity as shown in the consolidated balance sheet and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As of December 31, 2013, the Group is subject to externally imposed capital requirements (see Note 4). As of December 31, 2012, the Group is not subject to externally imposed capital requirements.

25. Financial Instruments

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

	2013	
	Carrying Amount	Fair Value
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	\$7,023,747	\$7,023,747
Trade and other receivables	4,060,867	4,060,867
Financial Assets at FVPL	8,055,039	8,055,039
Amounts owed by related parties	2,222,415	2,222,415
Other current assets		
Rental deposit	1,131,399	1,131,399
Loans to employees	134,072	134,072

(Forward)

	2013	
	Carrying Amount	Fair Value
Other noncurrent assets		
Miscellaneous deposits	174,334	174,334
	<u>\$22,801,873</u>	<u>\$22,801,873</u>
Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables		
Trade payables	\$3,487,478	\$3,487,478
Accrued expenses	651,767	651,767
Advances from customers	153,544	153,544
Derivative liability	102,090	102,090
Amounts owed to related parties	447,420	447,420
Dividends payable	—	—
Long-term debt	9,649,656	—
	<u>\$14,491,955</u>	<u>\$14,491,955</u>

	2012	
	Carrying Amount	Fair Value
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	\$13,029,790	\$13,029,790
Trade and other receivables	5,065,047	5,065,047
Amounts owed by related parties	2,042,692	2,042,692
Other current assets		
Rental deposit	1,131,399	1,131,399
Loans to employees	92,460	92,460
Other noncurrent assets		
Miscellaneous deposits	234,570	234,570
	<u>\$21,595,958</u>	<u>\$21,595,958</u>

Financial liabilities		
<i>Other financial liabilities</i>		
Trade and other payables		
Trade payables	\$3,461,800	\$3,461,800
Accrued expenses	452,005	452,005
Advances from customers	224,541	224,541
Derivative liability	9,480	9,480
Amounts owed to related parties	455,578	455,578
Dividends payable	622,997	622,997
Long-term debt	9,862,826	9,974,350
	<u>\$15,089,227</u>	<u>\$15,200,751</u>

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 and dividends payable

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.

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.

Freestanding derivatives

As of December 31, 2013 and 2012, the Group has outstanding foreign currency swap contracts with counterparty bank with an aggregate notional amount of \$1.2 million in 2013 and \$4.5 million in 2012 and remaining maturities of less than 2 months. The forward rates related to the forward contracts ranged from ₱40.70 to ₱40.71 per US\$ 1 as at December 31, 2013 and ₱41.11 to ₱41.08 per US\$1 as at December 31, 2012. The Group recognized derivative liability relating to these contracts amounting to \$102,090 and \$9,480 as of December 31, 2013 and 2012, respectively.

The movements in fair value changes of all derivative instruments for the years ended December 31, 2012 are as follows:

	2013	2012
At beginning of year	\$9,480	\$-
Net changes in fair value of derivatives not designated as accounting hedges	102,090	(81,770)
Fair value of settled instruments	(9,480)	72,290
At end of year	(102,090)	(\$9,480)

The loss from the net fair value changes relating to the foreign currency swap contracts amounting to \$584,163 in 2013 and \$81,770 in 2012 are included under "Other income (charges) - net" in the consolidated statements of comprehensive income (see Note 20).

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

a. Capital stock

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

	2013	2012
Authorized - common shares (P1 par value)	400,000,000	400,000,000
Issued shares		
Beginning	194,595,600	162,163,000
Upon incorporation	—	—
Upon initial public offering	—	—
Stock dividend- issued and distributed (see Note 26)	85,622,056	32,432,600
Ending	280,217,656	194,595,600
Issued - 194,595,600 shares	\$6,559,066	\$4,460,896
Undistributed shares (see Note 26) - 38,919,120 shares	—	950,847
	\$6,559,066	\$5,411,743

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 December 31, 2013 and 2012, the Parent Company has a total 80 and 101 number of stockholders, respectively.

b. Retained earnings

On January 16, 2013, the BOD of the Parent Company declared cash dividends amounting to \$1,119,936.57 (\$0.004796 per share) to stockholders of record as of January 31, 2013 payable on February 15, 2013.

In addition to the cash dividend, the BOD also declared a Twenty Percent (20%) stock dividend. During a regular meeting held on January 16, 2013, the stockholders approved the 20% stock dividends payable to stockholders of record as of March 15, 2013 and payment date of April 5, 2013.

During the regular meeting of the BOD of the Parent Company dated September 14, 2012, the BOD approved the declaration of Twenty Percent (20%) stock dividend to stockholders of record as of December 21, 2012, distributed on January 10, 2013. In a special meeting of stockholders dated December 7, 2012, the stockholders approved the Twenty Percent (20%) stock dividend.

As discussed in Note 15, on March 17, 2011, the Parent Company absorbed the amount owed by CEIC to CHI, including dividends payable amounting to \$1,300,000. Subsequently, on March 18, 2011, the Parent Company settled the dividends payable through set-off with existing receivables with CHI.

27. Other Matter

CEC is a defendant in certain legal cases which are currently pending before the courts and other government bodies. In the opinion of management and CEC's legal counsel, any adverse decision on these cases would not materially affect the consolidated financial position as at December 31, 2013 and 2012 and results of operations for each of the three years in the period ended December 31, 2013.

28. Events After the Reporting Period

- a. The Board of Directors of Cirtex Holdings Philippines Corporation (the "Corporation") in its meeting held today, January 29, 2014, approved the declaration of cash dividend of US Dollar 0.00428 (US\$ 0.00428) per share, payable on February 25, 2014 to stockholders of record as of February 13, 2014. The cash dividend shall be paid in Philippine Peso at BSP exchange rate one day before payment date. The total dividend payment will amount to US Dollar One Million Two Hundred Thousand (US\$ 1,200,000) based on the total 280,217,654 outstanding shares of stock of the Corporation.

FS FOR FILING WITH SEC

COVER SHEET

AFTER THE BIR HAS DULY
STAMPED "RECEIVED."

C S 2 0 1 1 0 2 1 3 7

SEC Registration Number

C I R T E K H O L D I N G S P H I L I P P I N E S C O R P O
R A T I O N

(Company's Full Name)

1 1 6 E a s t M a i n A v e n u e , P h a s e V - S E Z
, L a g u n a T e c h n o p a r k , B i ñ a n , L a g ñ u n
a

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

Mr. Anthony Albert S. Buyawe

(Contact Person)

830-8000

(Company Telephone Number)

1 2

Month

3 1

Day

(Calendar Year)

A A F S

(Form Type)

0 5

Month

3 1

Day

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

80

Total No. of Stockholders

\$10 Million

Domestic.

Nil

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.



INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Cirtek Holdings Philippines Corporation, which comprise the parent company balance sheets as at December 31, 2013 and 2012, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

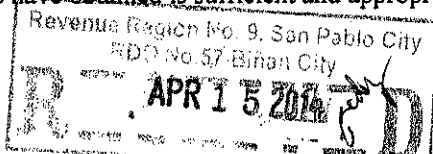
Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



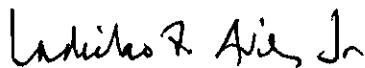
Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Cirtek Holdings Philippines Corporation as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 16 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic parent company financial statements. Such information is the responsibility of the management of Cirtek Holdings Philippines Corporation. The information has been subjected to the auditing procedures applied in our audits of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

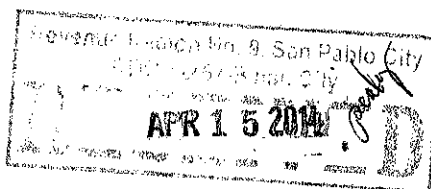
Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2012,

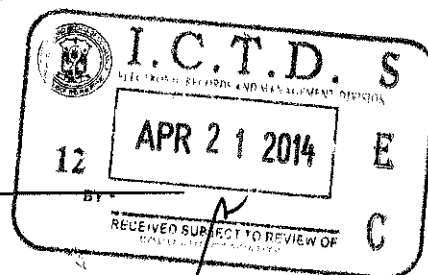
April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

April 7, 2014



CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY BALANCE SHEETS

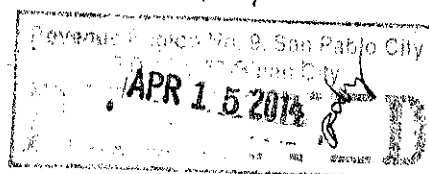


	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	\$41,703	\$4,553,958
Financial asset at fair value through profit and loss (Note 6)	4,220,621	-
Amounts owed by related parties (Note 9)	23,251,376	14,264,262
Dividends receivable	1,150,000	-
Other current assets	5,000	1,867
Total Current Assets	28,668,700	18,820,087
Noncurrent Asset		
Investments in subsidiaries (Note 5)	5,981,499	5,981,499
TOTAL ASSETS	\$34,650,199	\$24,801,586

LIABILITIES AND EQUITY

Current Liabilities		
Accrued expenses (Note 7)	\$94,383	\$118,399
Long-term debt - current portion and net of deferred financing cost (Note 8)	964,977	213,170
Amounts owed to related parties (Note 9)	13,516,567	4,026,553
Derivative liability (Note 14)	61,254	9,480
Dividends payable	-	591,997
Total Current Liabilities	14,637,181	4,959,599
Noncurrent Liability		
Long-term debt - net of current portion and deferred financing cost (Note 8)	8,684,679	9,649,656
Equity		
Capital stock (Note 12)	6,559,066	5,411,743
Additional paid-in capital (Note 12)	4,733,511	4,733,511
Retained earnings (deficit)	35,762	47,077
Total Equity	10,178,339	10,192,331
TOTAL LIABILITIES AND EQUITY	\$34,650,199	\$24,801,586

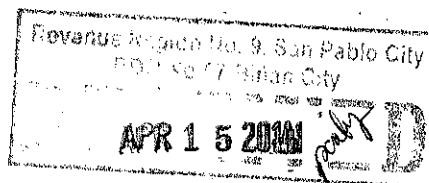
See accompanying Notes to Parent Company Financial Statements.



CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012
DIVIDEND INCOME	\$4,100,000	\$2,810,000
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	167,665	78,672
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 4)	46,003	59,655
Interest expense (Note 8)	(400,030)	(172,477)
	(354,027)	(112,822)
OTHER INCOME (CHARGES) - Net		
Foreign exchange gains (losses) - net	(365,922)	75,811
Mark-to-market loss on foreign currency forwards (Note 14)	(300,055)	(44,279)
Bank charges	(213)	-
Others	(6,173)	(5,939)
	(672,363)	25,593
NET INCOME	2,905,945	2,644,099
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	\$2,905,945	\$2,644,099

See accompanying Notes to Parent Company Financial Statements.



CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Capital Stock		Additional Paid-in Capital	Retained Earnings	Total
	Issued	Undistributed Stock Dividends (Note 12)			
Balances at December 31, 2011	\$3,720,358	\$-	\$4,733,511	(\$105,637)	\$8,348,232
Net income for the year	-	-	-	2,644,099	2,644,099
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,644,099	2,644,099
Cash dividends declared (Note 12)	-	-	-	(800,000)	(800,000)
Stock dividends declared (Note 12)	740,538	950,847	-	(1,691,385)	-
Balances at December 31, 2012	4,460,896	950,847	4,733,511	47,077	10,192,331
Net income for the year	-	-	-	2,905,945	2,905,945
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	2,905,945	2,905,945
Issuance of undistributed stock dividends	950,847	(950,847)	-	-	-
Cash dividends declared (Note 12)	-	-	-	(1,769,937)	(1,769,937)
Stock dividends declared (Note 12)	1,147,323	-	-	(1,147,323)	-
Balances at December 31, 2013	\$6,559,066	\$-	\$4,733,511	\$35,762	\$11,328,339

See accompanying Notes to Parent Company Financial Statements.



CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,905,945	\$2,644,099
Adjustments for:		
Dividend income	(4,100,000)	(2,810,000)
Unrealized foreign exchange loss (gain)	365,922	(31,196)
Interest expense	400,030	172,477
Interest income	(46,003)	(59,655)
Unrealized mark-to-market loss	61,254	9,480
Operating loss before working capital changes	(412,852)	(74,795)
Increase in other current assets	(3,133)	(9)
Decrease in accrued expenses	(24,016)	51,397
Decrease in derivative liability	(9,480)	—
Net cash flows used in operations	(449,481)	(23,407)
Dividends received	2,950,000	—
Interest received	46,003	57,810
Net cash flows from operating activities	2,546,522	34,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in amounts owed by related parties (Note 9)	(8,987,114)	(7,539,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in long-term debt (Note 8)	(213,170)	10,000,000
Increase (decrease) in amounts owed to related parties (Note 7)	9,490,014	(1,623,361)
Transaction costs from availment of long-term debt (Note 8)	—	(152,650)
Payments of cash dividends:	(2,361,934)	—
Investment in financial asset	(4,220,621)	—
Interest paid (Note 8)	(400,030)	(90,000)
Net cash flows from financing activities	2,294,259	8,133,989
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,146,333)	629,381
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(365,922)	31,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,553,958	3,893,381
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	\$41,703	\$4,553,958

See accompanying Notes to Parent Company Financial Statements.



CIRTEK HOLDINGS PHILIPPINES CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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.

On November 18, 2011, CHPC completed its initial public offering of 42,163,000 common shares with the Philippine Stock Exchange (PSE).

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

The Company has no employees as of December 31, 2013 and 2012. The accounting and administrative function of the Company are handled by Cirtek Electronics Corporation.

The financial statements of the Parent Company as at and for the year ended December 31, 2013 and 2012 were approved and authorized for issue by the Board of Directors (BOD) on April 7, 2014.

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

Basis of Preparation

The accompanying Parent Company financial statements are prepared on a historical cost basis except for derivative instrument which is carried at fair value. The Parent Company financial statements are presented in United States (US) dollar, which is the Parent Company's functional currency. All amounts are rounded off to the nearest US dollar (\$) except when otherwise indicated.

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

Statement of Compliance

The Parent Company's financial statements are prepared in compliance 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) issued by the Philippine Financial Reporting Standards Council (FRSC).



New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2013

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 Company has adopted starting January 1, 2013. Unless otherwise indicated, the adoption did not have any significant impact on the parent company financial statements.

- **PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)**

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

- **PFRS 10, *Consolidated Financial Statements***

The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- **PFRS 11, *Joint Arrangements***

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.



- **PFRS 12, *Disclosure of Interests in Other Entities***
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights).
- **PFRS 13, *Fair Value Measurement***
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.
- **PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)**
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the parent company financial position or performance.
- **PAS 19, *Employee Benefits* (Revised)**
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The Company has no employees, thus, these amendments will have no impact on the Company.
- **PAS 27, *Separate Financial Statements* (as revised in 2011)**
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.
- **PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)**
As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.
- **Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine***
This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.



- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments)*

The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*

These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the parent company financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the parent company financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the parent company financial position or performance.



- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the parent company financial position or performance.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2013

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

Effective in 2014

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36, *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the parent company financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

These amendments are effective for annual periods beginning on or after January 1, 2014. They 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.

- 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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

- 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. These amendments are effective for annual periods beginning on or after January 1, 2014.



- **PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015

- **Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions***

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- **PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of ‘Effective PFRSs’***

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- **PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements***

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- **PFRS 13, *Fair Value Measurement - Portfolio Exception***

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the parent company financial position or performance.



- **PAS 40, *Investment Property***

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the parent company financial position or performance.

- **PFRS 9, *Financial Instruments***

PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. 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 liabilities designated as at FVPL using the fair value option, 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation 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 Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.



- 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 Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (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 financial statements of the Company.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the 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 Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.



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

Cash and Cash Equivalents

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

Financial Instruments

Financial assets

Initial recognition

Financial assets within the scope of PAS 39 are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

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

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

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

Subsequent measurement

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

Financial assets at FVPL

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

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the Parent Company 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.

The Parent Company carries financial asset at FVPL as of December 31, 2013.



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 (EIR) method. This method uses an EIR that exactly discounts estimated cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as "Interest income" in the Parent Company statements of comprehensive income. Assets in this category are included in the current assets except for maturities greater than twelve months after the end of the reporting period, which are classified as noncurrent assets.

The Parent Company's financial assets include cash and amounts owed by related parties.

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Parent Company's management has the positive intention and ability to hold to maturity. When HTM investments, other than insignificant amounts are sold, the entire category would be tainted and reclassified as AFS investments. After initial measurement, HTM investments are measured at amortized cost using the EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the parent company statement of comprehensive income. The losses arising from impairment are recognized in the Parent Company statements of comprehensive income as interest income.

The Parent Company does not have any HTM investments as of December 31, 2013 and 2012.

AFS investments

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

As of December 31, 2013 and 2012, the Parent Company has no AFS investments.

Financial liabilities

Initial recognition

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial liabilities at initial recognition.

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



The Parent Company's financial liabilities include accrued expenses, long term debt, amounts owed to related parties, dividends payable, and derivative liabilities.

Subsequent measurement

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

Financial liabilities at FVPL

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

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

Gains or losses on liabilities held for trading are recognized in the parent company statement of comprehensive income.

As of December 31, 2013, the Parent Company's derivative liability is classified as financial liabilities at FVPL.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of fixed amount of cash or another financial asset for a fixed number of own equity shares.

After the initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the effective interest rate.

This accounting policy applies to the Parent Company's trade and other payables and amounts owed to related parties that meet the above definitions.

Offsetting of Financial Instruments

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

Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organized financial markets at the close of business on the balance sheet date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances at the time of the transaction.



For all other 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.

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.

'Day 1' Difference

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

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

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

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

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

Impairment of Financial Assets

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



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

Financial assets carried at amortized cost

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

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial assets' original effective interest rate (i.e., the effective interest rate computed at initial recognition date).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Parent Company statements of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the financial asset. Financial assets carried at amortized cost together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Parent Company. If, in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the Parent Company statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

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

Derecognition of Financial Instruments

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or



- the Parent Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

Financial liabilities

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

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

Investments in Subsidiaries

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than 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 Parent Company controls another entity.

Investments in subsidiaries are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions from accumulated profits of the subsidiaries arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Impairment of Investment in Subsidiaries

The Parent Company determines whether it is necessary to recognize any impairment loss with respect to the Parent Company's investment in subsidiaries. The Parent Company determines at each financial reporting date whether there is any objective evidence that these investments are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the fair value of the subsidiary and its respective acquisition costs and recognizes the impairment in the parent company statement of income.



The amount included in retained earnings includes accumulated earnings of the Parent Company and reduced by dividends on capital stock.

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 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 Parent Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates, sales taxes or duty. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

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

Dividend income

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

Interest income

Interest income is recognized as it accrues (using the 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).

Costs and Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized when incurred.



Capital Stock

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

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).

Parent Company as a lessee

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

Foreign Currency Transactions

The Parent Company financial statements are presented in US dollars, which is the functional and presentation currency of all companies in the Parent Company. 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 statements 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 assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

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

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

- 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 income nor taxable income 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 and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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 income nor taxable income 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 income 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 income 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 income will allow the deferred income tax asset to be recovered.

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

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

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

Provisions and Contingencies

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



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

Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the balance sheet date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to parent company financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Determining functional currency

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

Operating lease commitments - Company as lessee

The Parent Company has entered into leases of office spaces. The Parent Company has determined that all significant risks and rewards of ownership of these spaces remain with the lessor.

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.

Assessing impairment of investments in subsidiaries

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the investments may not be recoverable. As of December 31, 2013 and 2012, management has assessed that the carrying amount of the Parent Company's investments in subsidiaries are fully recoverable.

The carrying amount of the investments amounted to \$5,981,499 as of December 31, 2013 and 2012.



Estimating fair value of financial assets

The Parent Company carries certain financial assets at fair value, which requires use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates). However, the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets would affect the parent company statement of comprehensive income.

Fair values of the Parent Company's financial instruments are disclosed in Note 13.

Legal contingencies

The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Parent Company'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 Parent Company'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 2013 and 2012.

4. Cash and Cash Equivalents

The Company had cash in banks amounting to \$41,703 and \$4,553,958 as at December 31, 2013 and 2012, respectively. Cash in banks earn interest at floating rates based on daily bank deposit rates.

Interest income earned from cash and cash equivalents amounted to \$46,003 in 2013 and \$59,655 in 2012.

5. Investments in Subsidiaries

On February 17, 2011, the Parent Company's Board of Directors and Stockholders approved the acquisition from CHI of 155,511,952 common shares (representing 100% of the outstanding capital stock) of CEC and 50,000 shares (representing 100% of the outstanding capital) of CEIC. On March 1, 2011, the two (2) deeds of sale were executed by the Parent Company and CHI in order to implement the transfers.

CEC manufactures standard integrated circuits, discrete, hybrid and potential new packages and provides complete turnkey solutions that include wafer probing, wafer back grinding, assembly and packaging and final testing of semiconductor devices. CEIC sells integrated circuits principally in the USA and assigns the production of the same to CEC.



As of December 31, 2013 and 2012, the Parent Company's subsidiaries and the corresponding percentage equity ownership are as follows:

Subsidiaries	Country of Incorporation	Percentage of Ownership	Number of Shares
CEC	Philippines	100	155,511,952
CEIC	BVI	100	50,000

The details of the Parent Company's investments in subsidiaries, which were recorded on March 1, 2011 and were accounted for under the cost method, as of December 31 follows:

	2013	2012
CEC	\$2,990,749	\$2,990,749
CEIC	2,990,750	2,990,750
	<u>\$5,981,499</u>	<u>\$5,981,499</u>

6. Financial Asset at Fair Value Through Profit or Loss

This account primarily consists of investment in Unit Investment Trust Fund, which is designated as financial asset at fair value through profit or loss on initial recognition, acquired by the Parent Company in 2013. The reconciliation of carrying amount of financial asset at FVPL as of December 31, 2013 is as follows:

	2013
Acquisition during the year	\$4,199,002
Fair value gains	21,619
Balance at end of the year	<u>\$4,220,621</u>

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

7. Accrued Expenses

	2013	2012
Accrued interest	\$70,200	\$67,000
Documentary stamp tax	-	49,636
Others	24,183	1,763
	<u>\$94,383</u>	<u>\$118,399</u>

8. Long-term Debt

	2013	2012
5-year corporate note-secured	\$9,750,000	\$10,000,000
Less deferred financing costs	100,344	137,174
	9,649,656	9,862,826
Less current portion - net of deferred financing costs	964,977	213,170
	<u>\$8,684,679</u>	<u>\$9,649,656</u>



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

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

In accordance with the Notes Facility Agreement, 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 Parent Company is in compliance with the debt covenants as of December 31, 2013.

Total interest expense charged to the Parent Company statements of comprehensive income amounted to \$400,030 in 2013 and \$ 172,477 in 2012.

The movement of deferred financing cost is as follows:

	2013	2012
Unamortized deferred financing cost at issue date	\$137,174	\$152,650
Amortization of deferred financing cost	36,831	15,476
Unamortized deferred financing cost at yearend	\$100,343	\$137,174



9. 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.

The Company entered into transactions with related parties, principally consisting of the following:

- i. Working capital advances to subsidiaries
- ii. Rental of office space from CEC
- iii. Payments and reimbursements of expenses made and in behalf of the subsidiaries
- iv. Guaranty

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

a. Amounts owed by related parties

Nature of the transaction	Amount		Outstanding Balances		Terms	Conditions	
	2013	2012	2013	2012			
<i>Subsidiaries</i>							
CEC	Working capital advances	\$8,987,115	\$10,349,016	\$21,442,121	\$12,455,006	Due and demandable; non-interest bearing	Unsecured, no impairment
<i>Other related party</i>							
CHI	Result of assignments and settlement in 2011	--	--	1,809,255	1,809,256	Due and demandable; non-interest bearing	Unsecured, no impairment
		\$8,987,115	\$10,349,016	\$23,251,376	\$14,264,262		

b. Amounts owed to related parties

	Nature of the transaction	Amount		Outstanding Balances		Terms	Conditions
		2013	2012	2013	2012		
<i>Subsidiaries</i>							
CEC	Rental of office space	\$207	\$222	\$499	\$292	Due and demandable; non- interest bearing	Unsecured
	Payments and reimbursement of expenses made in behalf of CHPC	9,489,809	984,420	11,176,203	1,686,396	Due and demandable; non-interest bearing	Unsecured
	Result of assignments and settlement in 2011; payment	—	(2,400,000)	2,339,865	2,339,865	Due and demandable; non-interest bearing	Unsecured
CEIC		—	—	—	—		
		\$9,490,016	(\$1,415,358)	\$13,516,567	\$4,026,553		



For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011:

- CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to \$7.7 million and \$0.8 million, respectively.
- The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling \$3.6 million representing unpaid advances of \$2.3 million and dividends of \$1.3 million as of March 17, 2011.

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

The amount owed by CHI as of December 31, 2013 and 2012 pertains to the remaining balance of receivable as a result of the assignments and set-off agreements as discussed above.

10. General and Administrative Expenses

	2013	2012
Professional fees	\$103,464	\$47,032
Taxes and licenses	29,337	18,858
Representation and entertainment	20,496	9,694
Office Supplies	440	1,646
Rent	217	234
Others	13,711	1,208
	<u>\$167,665</u>	<u>\$78,672</u>

11. Income Taxes

There was no provision for current income tax during the period because of the Parent Company's taxable loss position.

Based on the National Internal Revenue Code Sec. 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year after the commencement of business operations when the MCIT is greater than the regular corporate income computed for the taxable year. The Parent Company is subject to MCIT effective 2015.



A reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax shown in the parent company statements of comprehensive income follows:

	2013	2012
Income (loss) tax at statutory rate of 30%	\$871,784	\$793,230
Additions to (reduction in) income tax:		
Dividend income	(1,230,000)	(843,000)
Change in unrecognized deferred income tax assets	(368,228)	58,853
Interest income subject to final tax	(17,251)	(17,897)
Nondeductible interest expense	7,116	5,906
Unallowable entertainment and representation expense	123	2,908
	\$-	\$-

The Parent Company has temporary difference pertaining to unrealized foreign exchange loss, unrealized mark-to-market loss and NOLCO amounting to \$1,448,187 and \$300,480 in 2013 and 2012, respectively. The deferred income tax asset was not recognized in the Parent Company's balance sheet since the management expects that it will not generate sufficient taxable income in the future that will be available to allow all or part of the deferred income tax assets to be utilized.

The components of the unrecognized deferred income tax assets are as follows:

	2013	2012
NOLCO	\$234,663	\$84,932
Unrealized foreign exchange loss	-	2,368
Unrealized mark-to-market loss	18,376	2,844
	\$253,039	\$90,144

As of December 31, 2013 and 2012, NOLCO that can be claimed as deduction from future taxable income follows:

Period of recognition	Availment Period	Amount	Applied	Expired	Balance
2012	2013-2015	\$248,001	\$-	\$-	\$248,001
2013	2014-2016	782,210	-	-	782,210
		\$1,030,211	\$-	\$-	\$1,030,211



12. Equity

a. Capital Stock

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

	2013	2012
Authorized - common shares (P1 par value)	400,000,000	400,000,000
Issued		
Beginning	194,595,600	162,163,000
Upon incorporation	—	—
Upon initial public offering	—	—
Stock dividend-issued and distributed (see Note 12b)	85,622,056	32,432,600
Ending	280,217,654	194,595,600
Issued - shares	\$6,559,066	\$4,460,896
Undistributed shares	—	950,847
	\$6,559,066	\$5,411,743

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 P7 per share. The total proceeds with issuance of new shares amounted to P295.1 million (\$6.8 million). The Parent Company incurred transaction costs incidental to the IPO amounting to P47.3 million (\$1.1 million), which is charged against "Additional paid-in capital" in the parent company balance sheet.

As of December 31, 2013 and 2012, the Parent Company has a total 80 and 101 number of stockholders, respectively.

b. Retained Earnings

On January 16, 2013, the BOD of the Parent Company declared cash dividends amounting to \$1,119,936.57 or \$0.004796 per share to stockholders of record as of January 31, 2013 payable on February 15, 2013.

In addition to the cash dividends, the BOD also declared a twenty percent (20%) stock dividend. During a stockholders' meeting held on March 1, 2013, the stockholders approved the 20% stock dividend payable to stockholders of record as of March 15, 2013 and payment date of April 5, 2013.

Also in a meeting held on July 15, 2013, the BOD approved the declaration of another cash dividends of \$0.00232 per share, payable on August 12, 2013 to stockholders of record as of July 29, 2013.



13. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents. The main purpose of these financial instruments is to support the Parent Company's operation. The Company has various other financial instruments such as trade and other amounts owed by related parties, accrued expenses, amounts owed to related parties, dividends payable, derivative liability and long-term debt which generally arise directly from its operations.

Risk Management Structure

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

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

Credit risk

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

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

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

	2013	2012
Cash and cash equivalents	\$41,703	\$4,553,958
Financial asset at FVPL	4,220,621	-
Amounts owed by related parties	23,251,376	14,264,262
Total credit risk exposure	\$27,513,700	\$18,818,220

The aging analyses per class of financial assets follow:

December 31, 2013

	Neither past due nor impaired	Past due but not impaired				Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash and cash equivalents	\$41,703	\$-	\$-	\$-	\$-	\$41,703
Financial asset at FVPL	4,220,621	-	-	-	-	4,220,621
Amounts owed by related parties	23,251,376	-	-	-	-	23,251,376
	\$27,513,700	\$-	\$-	\$-	\$-	\$27,513,700



December 31, 2012

	Neither past due nor impaired	Past due but not impaired				Total
		< 30 days	30 - 60 days	60 - 90 days	> 90 days	
Cash and cash equivalents	\$4,553,958	\$-	\$-	\$-	\$-	\$4,553,958
Amounts owed by related parties	14,264,262	-	-	-	-	14,264,262
	\$18,818,220	\$-	\$-	\$-	\$-	\$18,818,220

The table below summarizes the credit quality per class of the Parent Company's financial assets that are neither past due nor impaired:

December 31, 2013

	Neither past due nor impaired			Total
	High grade	Medium grade	Low grade	
Cash and cash equivalents	\$41,703	\$-	\$-	\$41,703
Financial asset at FVPL	4,220,621	-	-	4,220,621
Amounts owed by related parties	23,251,376	-	-	23,251,376
	\$27,513,700	\$-	\$-	\$27,513,700

December 31, 2012

	Neither past due nor impaired			Total
	High grade	Medium grade	Low grade	
Cash and cash equivalents	\$4,553,958	\$-	\$-	\$4,553,958
Amounts owed by related parties	14,264,262	-	-	14,264,262
	\$18,818,220	\$-	\$-	\$18,818,220

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

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



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

December 31, 2013

	On Demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial assets					
Cash and cash equivalents	\$41,703	\$-	\$-	\$-	\$4,262,324
Financial asset at FVPL	4,220,621				
Amounts owed by related parties	23,251,376	-	-	-	23,251,376
	\$27,513,700	\$-	\$-	\$-	\$27,513,700
Financial liabilities					
Amounts owed to related parties	\$13,516,567	\$-	\$-	\$-	\$13,516,567
Accrued expenses	94,280				94,280
Long-term debt	-	1,334,675	4,045,825	5,298,300	10,678,800
Dividends payable	-	-	-	-	-
Derivative liability	-	9,480	-	-	9,480
	\$13,610,847	\$1,344,155	\$4,045,825	\$5,298,300	\$24,299,127

December 31, 2012

	On Demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial assets					
Cash and cash equivalents	\$4,553,958	\$-	\$-	\$-	\$4,553,958
Amounts owed by related parties	14,264,262	-	-	-	14,264,262
	\$18,818,220	\$-	\$-	\$-	\$18,818,220
Financial liabilities					
Amounts owed to related parties	\$4,026,553	\$-	\$-	\$-	\$4,026,553
Accrued expenses	68,754				68,754
Long-term debt	-	613,200	2,632,350	8,046,450	11,292,000
Dividends payable	591,997	-	-	-	591,997
Derivative liability	-	9,480	-	-	9,480
	\$4,687,304	\$622,680	\$2,632,350	\$8,046,450	\$15,988,784

Foreign currency risk

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



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

	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
2013				
Peso denominated assets	+5%	(\$621,825)	-5%	\$621,825
Peso denominated liabilities	+5%	84,334	-5%	(84,334)
		(\$537,491)		\$537,491
<hr/>				
	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
2012				
Peso denominated assets	+5%	(\$227,659)	-5%	\$227,659
Peso denominated liabilities	+5%	2,569	-5%	(2,569)
		(\$225,090)		\$225,090

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

Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

As of December 31, 2013, the Parent Company is subject to externally imposed capital requirements (see Note 8).

14. Fair Value of Financial Instruments

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

December 31, 2013

	Carrying Amount	Fair Value
<i>Financial assets</i>		
Cash and cash equivalents	\$41,703	\$41,703
Financial asset at FVPL	4,220,621	4,220,621
Amounts owed by related parties	23,251,376	23,251,376
	\$27,513,700	\$27,513,700



	Carrying Amount	Fair Value
<i>Financial liabilities</i>		
Other financial liabilities		
Amounts owed to related parties	\$13,516,567	\$13,516,567
Long-term debt	9,649,655	9,712,634
Dividends payable	-	-
Financial Liability at FVPL		
Derivative liability	61,254	61,254
	\$23,227,476	\$23,290,455

December 31, 2012

	Carrying Amount	Fair Value
<i>Financial assets</i>		
Cash and cash equivalents	\$4,553,958	\$4,553,958
Amounts owed by related parties	14,264,262	14,264,262
	\$18,818,220	\$18,818,220
<i>Financial liabilities</i>		
Other financial liabilities		
Amounts owed to related parties	\$4,026,553	\$4,026,553
Long-term debt	9,862,826	9,974,350
Dividends payable	591,997	591,997
Financial Liability at FVPL		
Derivative liability	9,480	9,480
	\$14,490,856	\$14,602,380

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. Fair values are obtained from quoted market prices.

Cash in banks

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

Amounts owed to related parties and dividends payable

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

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 4.00% in 2013.

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. The Company enters into deliverable short-term forward contracts with counterparty bank to manage its foreign currency risks associated with foreign currency-denominated liabilities and purchases.



Freestanding derivatives

As of December 31, 2013 and 2012, the Parent Company has outstanding foreign currency swap contracts with counterparty bank with an aggregate notional amount \$750,000 and \$4.5 million, respectively, and remaining maturities of less than 2 months. The forward rate related to the forward contracts is ₱40.71 per US\$1 as at December 31, 2013 and 2012. The Parent Company recognized derivative liability relating to these contracts amounting to \$61,254 and \$9,480 as of December 31, 2013 and 2012.

The loss from the net fair value changes relating to the forward contracts amounting to \$61,254 in 2013 and \$44,279 in 2012 are included under "Mark-to-market loss" in the Parent Company statements of income.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Only the financial asset at FVPL and derivative instruments, which are classified under level 2 are measured and carried at fair value. There were no transfers made in the fair value measurements in 2013 and 2012.

15. Events After the Reporting Period

The Board of Directors of Cirtex Holdings Philippines Corporation (the "Corporation") in its meeting held today, January 29, 2014, approved the declaration of cash dividend of US Dollar 0.00428 (US\$ 0.00428) per share, payable on February 25, 2014 to stockholders of record as of February 13, 2014. The cash dividend shall be paid in Philippine Peso at BSP exchange rate one day before payment date. The total dividend payment will amount to US Dollar One Million Two Hundred Thousand (US\$ 1,200,000) based on the total 280,217,654 outstanding shares of stock of the Corporation.



16. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

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

The Parent Company also reported and/or paid the following types of taxes in 2013:

Other Taxes and Licenses

Taxes and licenses, local and national, include licenses and permit fees for 2013:

Documentary stamp taxes	₱428,111
License and permit fees	771,232
	<u>₱1,199,343</u>

Withholding Taxes

Expanded withholding taxes	<u>₱193,515</u>
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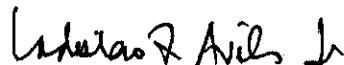


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Cirtek Holdings Philippines Corporation as at and for the years end December 31, 2013 and 2012 and have issued our report thereon dated April 7, 2014. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Retained Earnings Available for Dividend Declaration as of December 31, 2013 is the responsibility of the parent company's management. This schedule is presented for the purpose of complying with SEC Memorandum Circular No. 11, Series of 2008, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

April 7, 2014



CIRTEK HOLDINGS PHILIPPINES CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
DECEMBER 31, 2013

Unappropriated Retained Earnings, beginning		₱47,077
Adjustments in previous year's Reconciliation:		
Less: Non-actual/unrealized income net of tax		
Benefit from deferred tax asset		<u>9,480</u>
Unappropriated Retained Earnings, as adjusted, beginning		56,557
Net Income based on the face of AFS	2,905,945	
Add: Non-actual losses	61,254	
Less: Non-actual/unrealized income net of tax	(21,619)	
Income Actual/Realized		2,945,580
Transfer from Appropriated to Unappropriated Retained Earnings		-
Unappropriated Retained Earnings, as adjusted, ending		-
Less: Dividends declared in 2013		
Cash dividends declared	(1,769,937)	
Stock dividends declared	(1,147,323)	<u>(2,917,260)</u>
Retained earnings available for dividend declaration		<u>₱84,877</u>

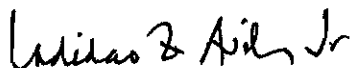


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Cirtex Holdings Philippines Corporation (included in this Form 17-A and have issued our report thereon dated April 7, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of all Effective Standards and Interpretations are the responsibility of the parent company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and Securities and Exchange Commission Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Ladislao Z. Avila, Jr.

Partner

CPA Certificate No. 69099

SEC Accreditation No. 0111-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 109-247-891

BIR Accreditation No. 08-001998-43-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225149, January 2, 2014, Makati City

April 7, 2014



SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Adopted	Adopted	Adopted
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)	<i>First-time Adoption of Philippine Financial Reporting Standards</i>	✓			
	<i>Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	✓			
	<i>Amendments to PFRS 1: Additional Exemptions for First-time Adopters</i>	✓			
	<i>Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>	✓			
	<i>Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓	
	<i>Amendments to PFRS 1: Government Loans</i>			✓	
PFRS 2	<i>Share-based Payment</i>			✓	
	<i>Amendments to PFRS 2: Vesting Conditions and Cancellations</i>			✓	
	<i>Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions</i>			✓	
PFRS 3 (Revised)	<i>Business Combinations</i>			✓	
PFRS 4	<i>Insurance Contracts</i>			✓	
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓	
PFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓	
PFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>			✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable	Not Fully Adopted
PFRS 7	<i>Financial Instruments: Disclosures</i>	✓			
	<i>Amendments to PFRS 7: Transition</i>	✓			
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>	✓			
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>	✓			
	<i>Amendments to PFRS 7: Improving Disclosures about Financial Instruments</i>	✓			
	<i>Amendments to PFRS 7: Disclosures - Transfers of Financial Assets</i>	✓			
	<i>Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>				✓
	<i>Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>				✓
PFRS 8	<i>Operating Segments</i>	✓			
PFRS 9	<i>Financial Instruments</i>	✓			
	<i>Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>	✓			
PFRS 10	<i>Consolidated Financial Statements</i>	✓			
PFRS 11	<i>Joint Arrangements</i>			✓	
PFRS 12	<i>Disclosure of Interests in Other Entities</i>	✓			
PFRS 13	<i>Fair Value Measurement</i>	✓			
Philippine Accounting Standards					
PAS 1 (Revised)	<i>Presentation of Financial Statements</i>	✓			
	<i>Amendment to PAS 1: Capital Disclosures</i>	✓			
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>	✓			
	<i>Amendments to PAS 1: Presentation of Items of Other Comprehensive Income</i>	✓			
PAS 2	<i>Inventories</i>	✓			
PAS 7	<i>Statement of Cash Flows</i>	✓			



<p>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019</p>		Adopted	Amended	Revised	Amended
PAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓			
PAS 10	<i>Events after the Balance Sheet Date</i>	✓			
PAS 11	<i>Construction Contracts</i>			✓	
PAS 12	<i>Income Taxes</i>	✓			
	<i>Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets</i>	✓			
PAS 16	<i>Property, Plant and Equipment</i>	✓			
PAS 17	<i>Leases</i>	✓			
PAS 18	<i>Revenue</i>	✓			
PAS 19	<i>Employee Benefits</i>	✓			
	<i>Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures</i>	✓			
PAS 19 (Amended)	<i>Employee Benefits</i>	✓			
PAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>	✓			
PAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>	✓			
	<i>Amendment: Net Investment in a Foreign Operation</i>	✓			
PAS 23 (Revised)	<i>Borrowing Costs</i>			✓	
PAS 24 (Revised)	<i>Related Party Disclosures</i>	✓			
PAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>			✓	
PAS 27	<i>Consolidated and Separate Financial Statements</i>	✓			
PAS 27 (Amended)	<i>Separate Financial Statements</i>			✓	
PAS 28	<i>Investments in Associates</i>			✓	
PAS 28 (Amended)	<i>Investments in Associates and Joint Ventures</i>			✓	
PAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>			✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2013)		Adopted	Not Adopted	Not Adopted	Not Adopted
PAS 31	<i>Interests in Joint Ventures</i>			✓	
PAS 32	<i>Financial Instruments: Disclosure and Presentation</i>	✓			
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>	✓			
	<i>Amendment to PAS 32: Classification of Rights Issues</i>	✓			
	<i>Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities</i>				✓
PAS 33	<i>Earnings per Share</i>	✓			
PAS 34	<i>Interim Financial Reporting</i>			✓	
PAS 36	<i>Impairment of Assets</i>	✓			
PAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓			
PAS 38	<i>Intangible Assets</i>	✓			
PAS 39	<i>Financial Instruments: Recognition and Measurement</i>	✓			
	<i>Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>	✓			
	<i>Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>	✓			
	<i>Amendments to PAS 39: The Fair Value Option</i>	✓			
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>	✓			
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>	✓			
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>	✓			
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>	✓			
	<i>Amendment to PAS 39: Eligible Hedged Items</i>	✓			
PAS 40	<i>Investment Property</i>	✓			
PAS 41	<i>Agriculture</i>			✓	



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 30, 2013		Revised	Amended	New	Not Yet Amended
Philippine Interpretations					
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>			✓	
IFRIC 2	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓	
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓			
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>			✓	
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	<i>Reassessment of Embedded Derivatives</i>	✓			
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>	✓			
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓			
IFRIC 11	<i>PFRS 2- Group and Treasury Share Transactions</i>	✓			
IFRIC 12	<i>Service Concession Arrangements</i>			✓	
IFRIC 13	<i>Customer Loyalty Programmes</i>			✓	
IFRIC 14	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>			✓	
	<i>Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement</i>			✓	
IFRIC 15	<i>Agreements for Construction of Real Estate</i>			✓	
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓	
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>	✓			
IFRIC 18	<i>Transfers of Assets from Customers</i>			✓	
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>	✓			
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>				✓



<p>INTERPRETING FINANCIAL REPORTING STANDARDS AND INTERPRETING IASB</p> <p>Effective as of December 31, 2013</p>		Adopted	Not Adopted	Not Adopted	Not Adopted
SIC-7	<i>Introduction of the Euro</i>			✓	
SIC-10	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓	
SIC-12	<i>Consolidation - Special Purpose Entities</i>			✓	
	<i>Amendment to SIC - 12: Scope of SIC 12</i>			✓	
SIC-13	<i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	✓			
SIC-15	<i>Operating Leases - Incentives</i>	✓			
SIC-21	<i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	✓			
SIC-25	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	✓			
SIC-27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	✓			
SIC-29	<i>Service Concession Arrangements: Disclosures.</i>			✓	
SIC-31	<i>Revenue - Barter Transactions Involving Advertising Services</i>			✓	
SIC-32	<i>Intangible Assets - Web Site Costs</i>			✓	

