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S.E.C. 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 N A N

L A G U N A

CHRISTIANNE GRACE F. SALONGA

Contact Person

8308000

Company Telephone Number

1 2 3 1

Calendar Year

SEC FORM 17A
ANNUAL REPORT

FORM TYPE

Month

Day

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

17

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, 2014**

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
Common Shares	308,239,416 Common Shares

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

    Yes [X] 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

PhP2,718,671,649 (90,622,388 @ 30 per share as of March 31, 2015)

PART I BUSINESS AND GENERAL INFORMATION

ITEM 1 BUSINESS

Cirtek Holdings Philippines Corporation (CHCP or the Company) through its subsidiaries,Cirtek Electronics Corporation (CEC) and Cirtek Electronics International Corporation (CEIC), (collectively the Cirtek Cirtek Group), is primarily engaged in two major activities: (1) the manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services, and (2) the manufacture of value-added, highly integrated technology products. CEC 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. CEC has over 64 regular customers spread out in Europe, the US and Asia. CEIC sells integrated circuits principally in the US and assigns the production of the same to CEC. CEIC recently acquired Remec Broadband Wireless Inc. (RBWI), recently renamed Cirtek Advanced Technologies and Solutions, Inc, (CATS), a proven Philippine-based manufacturer of value added, highly integrated technology products. CATS offers complete "box build" turnkey manufacturing solutions to RF, microwave, and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

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.

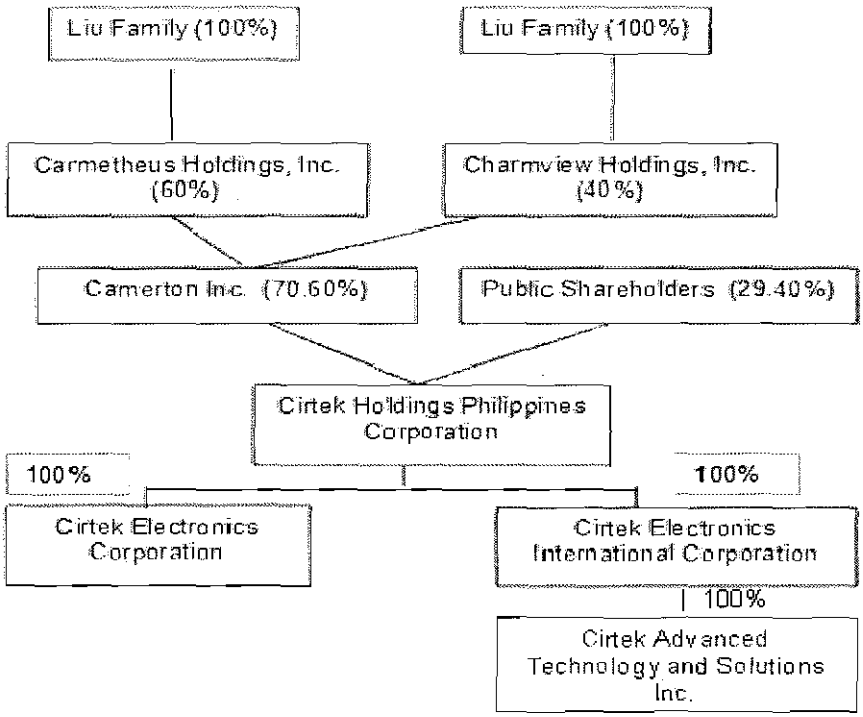
The Company was registered with the SEC on February 10, 2011, with an initial authorized capital stock of ₱400,000,000 divided into 400,000,000 common shares with a par value of One Peso (₱1.00) per share. Of the authorized capital stock, 30% equivalent to 120,000,000 shares or ₱120,000,000.00 was subscribed 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 2014, the Cirtek Cirtek Group had total revenues of US$ 52 million, and net income of US$ 6.7 million. As of December 31, 2013, the Cirtek Cirtek Group had total assets of US$ 7.3 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 a new project 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.

CEC PRODUCTS

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 CEC'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

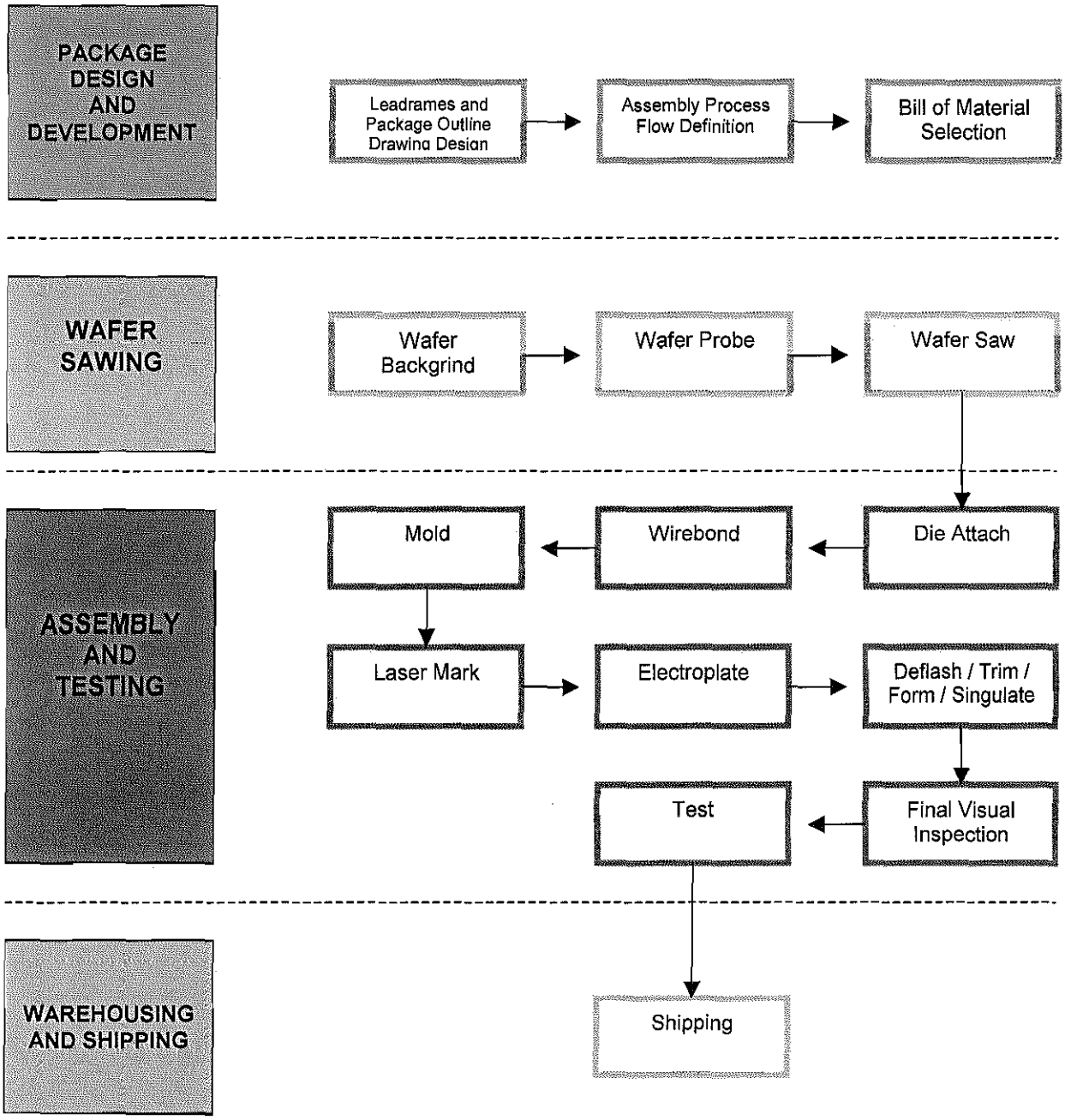
These devices are used in a wide range of power management applications from telecommunications, industrial equipment, portable devices, computers, and networks. These are packaged in SOIC with the die pad exposed.

CEC 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.

CATS PRODUCTS

CATS offers a broad range of microwave products that go into various applications. The end application covers microwave/wireless solutions for carrier and private data networks catering mobile backhaul, service provider, education, enterprise, government/municipalities and healthcare.

The following are CATS' microwave products:

1. CTT ODU

The CTTH ODU is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The CTTH ODU supports QPSK to 256QAM modulation and 7MHz to 56MHz channel bandwidth.

2. IRFU

The Indoor RFU is available in L6, U6, 7GHz, 8GHz, and 11GHz frequency bands. The channel spacing supported for North American ANSI rates is between 3.75 MHz and 60 MHz. The channel spacing supported for ETSI rates is between 7 MHz and 56 MHz.

3. OIPR

The OIPR is available in 6L, 6U, 7GHz, 8GHz, 11GHz, 13GHz, 15GHz, 18GHz, 23GHz, 26GHz, 28GHz, 32GHz and 38GHz. The supported modulation is QPSK to 256QAM. The channel spacings supported for North American ANSI rates is between 10MHz and 50 MHz. The channel spacings supported for ETSI rates are 7MHz, 14MHz, 28-30MHz, 40MHz and 56MHz.

4. FLEX4G-UHA

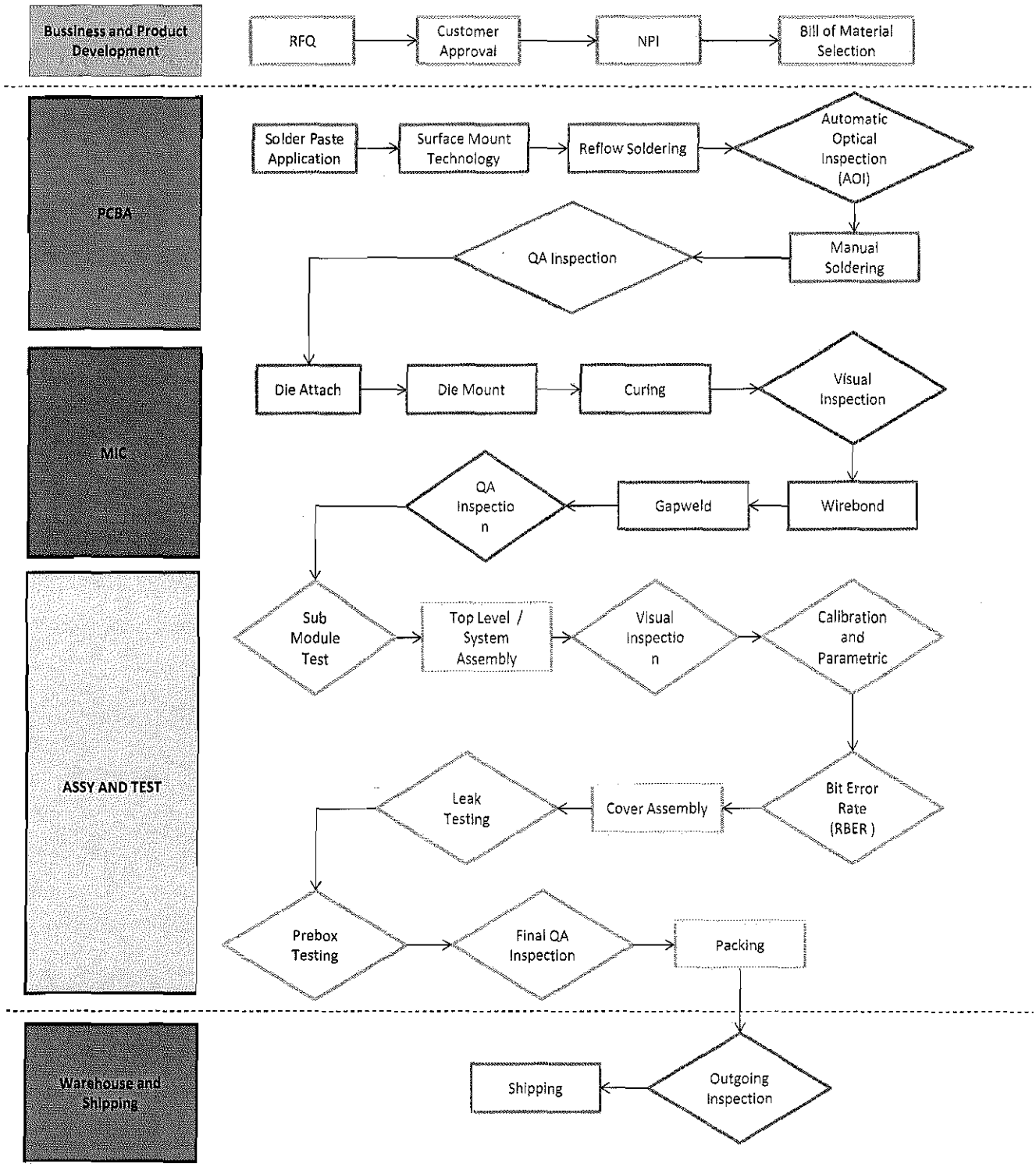
Flex4G-UHA-UHA operates in the 71-76/81-86 GHz frequency range in compliance to ECC/REC 05/07 Recommendations and is subject to use based on each EU member country's individual regulations for operation in this band. The FLEX4G-UHA uses BPSK modulation and supports a maximum data rate of 1,000 Mbps in a 1,250 MHz channel.

CATS MANUFACTURING PROCESS FLOW

The Company assembles and tests microwave products at its manufacturing complex located on a 12,740 square meters property in Biñan, Laguna. CATSI 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. The 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 production of microwave products:



The manufacturing process starts with business and product development. The business development pertains to a) RFQ (Request for Quote) from customer and b) customer approval. Once the customer approves the quote, product development proceeds. The product development pertains to a) NPI (New Product Introduction) and b) bill of materials selection. During NPI, the factory will qualify the product and the process (to manufacture the product). The NPI process is considered completed once critical processes are proven capable and qualification units are produced and tested for reliability internally and or by the customers. If NPI is successful, the bill of materials is finalized. This includes the product BOM, fixtures and packaging. Mass production follows.

The fundamental assembly process starts with PCBA (Printed Circuit Board Assembly). Solder paste is applied to the PCB, followed by placement of components during SMT pick and place. The populated board is then loaded to the reflow oven for solder paste curing. After the oven reflow, the board undergoes AOI (Automatic Optical Inspection). All boards with reject (assembly rejects, i.e. missing components, wrong part mounted, tombstone, insufficient solder, mis-oriented, tilted,etc.) during AOI are reworked. All boards without rejects proceed to 2nd operation or manual soldering (if required).

Some modules/sub-assembly boards from PCBA undergo MIC process (Microwave Integrated Circuit). During this process, a component (MMIC) is attached or mounted to the board with epoxy, either manually or automated. The board is then cured to the required temperature depending on the type of epoxy used. Wirebond/gapweld is performed depending on the required assembly drawing. Inspection follows to ensure conformance to the assembly drawing.

The modules/sub-assembly boards will then undergo test and tune (if required). All passing modules are then integrated to form the ODU (final product) during Top level assembly. System level testing follows (Calibration and Parametric test, Bit Error Rate (BER) Test, etc.). The ODUs should conform to the specifications set by the customer.

Finished products are then packed per customer specifications and shipped to the intended destination.

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.

CEC

% Contribution to Revenue Per Region
2012-2014

	2012	2013	2014
Asia	19%	23%	25%
Europe	46%	40%	43%
USA	35%	37%	32%

CATS

% Contribution to Revenue Per Region
Aug-Dec 2014

Asia	4%
Europe	1%
USA	95%

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 Company through its subsidiaries currently maintains sales agents in the USA, Europe and Asia.

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.

COMPETITORS IN THE INDUSTRY

CEC

The assembly and testing segment of the semiconductor industry is highly competitive. The Company's competitors in the semiconductor space 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.

CATS

The Company's competitors in the RF/Satcom EMS space include large OEMs with international presence such as Benchmark Electronics, Plexus, Flextronics, and MTI Electronics. Among the Company's local competitors for certain product lines are Ionics and IMI.

The Company believes is competitive strength lies in its ability to provide complete turnkey solutions for complex, box build electronic and microwave products. The Company also believes it has unique RF/microwave expertise to deliver vertically integrated products from components to modules and system levels.

EMPLOYEES

As of March 31, 2015, the Cirtek Group has 1,735 regular employees.

Position	Total
Managers and Executives	30
Engineers	57
Administration	69
Other support Cirtek Groups	541
Rank and File	1,038
Total	**1,735**

The Cirtek Group is not unionized. However, to foster better employee-management relations, the Cirtek Group 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 over 57 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 and CATS, 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 2012, 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 and CATS are 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 and CATS to penalties and the revocation of the registrations.

CEC and CATS 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, 2014.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 MARKET FOR ISSUER'S COMMON EQUITY AND RELATED TOCKHOLDER 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:

	2014		2015	
	HIGH	LOW	HIGH	LOW
Q1	14.40	12.12	31	18.00
Q2	14.50	14.10		
Q3	15.80	10.08		
Q4	19.00	12.00		

The price of the Corporation's common shares as of March 31, 2015 trading date was PhP30.00 per share.

The number of Shareholders of record as of March 31 2015 is 18.

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 of March 31, 2015

Stockholder Name	Number of Shares Held	Percentage of Shareholding
Camerton, Inc.	185,327,983	60.13
PCD Nominee Filipino	122,273,268	39.67
PCD Nominee Non-Filipino	552,158	0.2
Ambrosio J. Makalintal or Maripi A. Makalintal	85,536	0.03
Stephen G. Soliven	242	0
Julius Victor Emmanuel D. Sanvictores	132	0
Jesus San Luis Valencia	57	0
Owen Nathaniel S. Au ITF Li Marcus Au	30	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	308,239,416	100

Dividends Declaration

On January 29, 2014, the BOD approved the declaration of cash dividend amounting to US Dollar One Million Two Hundred Thousand (US$1,200,00) or US Dollar 0.00428 (US$ 0.00428) per share, paid to stockholders on February 15 2014 to stockholders of record as of February 13, 2014. The cash dividend was paid in Philippine Peso at BSP exchange rate one day before payment date.

During the Organizational Meeting of the BOD on May 30, 2014, the BOD approved the declaration of cash dividends of US Dollar 0.00214 (US$0.00214) per share, payable to stockholders of record as of June 16 2014. Payment date of the cash dividends was July 7 2014.

In addition to the aforementioned cash dividends, the BOD also declared a Ten Percent (10%) stock dividend. During a Special Stockholders Meeting held on July 11, 2014, the stockholders approved the 10% stock dividends payable to stockholders of record as of July 25, 2014, paid on August 20, 2014.

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 March31 2015:

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	185,327,983	60.13
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	122,273,268	39.65
Common	Total			307,601,251	99.79%

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

Participant	Number of Shares	Percentage
Evergreen Securities	42,428,013	13.8%
Guild Securities	35,513,516	11.5%
PCCI Securities	29,363,460	9.5%

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 48 years of combined 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 Electronics Industry

The worldwide electronics industry has experienced peaks and troughs over the years. From 2011 to 2013, the market has experience single-digit growth.

Market Conditions for End-User Application of Electronics

Market conditions in the electronics 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.

Competitive Selling Prices of Semiconductor and RF/Microwave 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 pres 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) interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2014 and 2013 (see Notes 1 and 4):

Country of Incorporation		Percentage of Ownership	
2014	2013		
Direct	Indirect	Direct	Indirect

CEC Philippines 100 – 100 –
CEIC British Virgin Islands (BVI) 100 – 100 –
RBWHI British Virgin Islands – 100 – –
RBWII - Philippine Branch Philippines
– 100
–
–
RBWRP Philippines – 40 – –

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

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

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

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

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

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

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

Common control business combinations

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

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

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

RBWRP is a special purpose entity established solely to own the land. The Group has an ability to govern the financial and operating policies of RBWRP accompanying a shareholding of more than one half of the voting rights and the activities of RBWRP are being conducted on behalf of the Group according to its specific needs so that the Group obtains benefits from RBWRP's operation. As such, and in accordance with PFRS 10, Consolidated Financial Statements, RBWRP is included in the consolidation of the Group.

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

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

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

- Investment Entities (Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

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

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

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

These amendments remove the unintended consequences of PFRS 13, Fair Value Measurement, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Philippine Interpretation IFRIC 21, Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010-2012 cycle)

In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, Fair Value Measurement. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

- Annual Improvements to PFRSs (2011-2013 cycle)

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

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

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

- PFRS 9, Financial Instruments - Classification and Measurement (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, Financial Instruments: Recognition and Measurement. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge

an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

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

- Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

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

Effective January 1, 2015

- PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, Share-based Payment - Definition of Vesting Condition

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

o A performance condition must contain a service condition
o A performance target must be met while the counterparty is rendering service
o A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
o A performance condition may be a market or non-market condition
o If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, Business Combinations - Accounting for Contingent Consideration in a Business Combination

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

The amendments are applied retrospectively and clarify that:

o An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

o The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization

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

- PAS 24, Related Party Disclosures - Key Management Personnel

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

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

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

o Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.

o This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, Fair Value Measurement - Portfolio Exception

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, Investment Property

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the

economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)

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

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

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

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

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

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for

annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, Regulatory Deferral Accounts

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- Annual Improvements to PFRSs (2012-2014 cycle)

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

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

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

- PFRS 7, Financial Instruments: Disclosures - Servicing Contracts

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

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

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

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

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

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

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial

statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

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

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

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

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

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

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

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

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

- IFRS 15, Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2014 and 2013, the Group carries a financial asset at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2014 and 2013, 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, 2014, the Group has HTM investments but none in 2013.

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, 2014 and 2013, 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, 2014 and 2013, the Group's derivative liability is classified as a financial liability at FVPL. The Group does not have a financial liability held for trading and has not designated any financial liabilities as at FVPL.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the balance sheets if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an

intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

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

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

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

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

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

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

Impairment of Financial Assets
The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and

where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

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

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

Derecognition of Financial Instruments
Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and

- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

Raw materials, spare parts, supplies and others - purchase cost on a first-in, first-out basis (FIFO);

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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). ents 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.

Results of Operations

For the 12-month period ending December 31, 2014 compared to the 12-month period ending December 31, 2013

Revenue

The Company recorded consolidated revenues of US$52.8 million for the 12 months ending December 31, 2014, an increase of 18% from US$44 million for the same period in 2013. The growth was accounted for by the growth of the Company's Multichip and Hermetics Divisionsand contribution from the CATS business.

Sales per division

In US$ 000	**For the 12 months ended June 30**		
	2014	**2013**	**% Inc / (Dec)**
CEC			
Discrete	10,800	11,506	(6)
Multichip	9,629	8,878	8
IC	8,556	9,903	(14)
QFN	3,848	5,097	(25)
New Products	5,221	6,704	(22)
Hermetics	2,008	1,896	6
CATS			
Cougar	121	-	-
ODR	6,436	-	-
EMS	831	-	-
Bridgewave	1,233	-	-
IRFU	811	-	-
Service Income	2,298		
Total	**51,792**	**43,984**	**18%**

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and changes in finished goods and work in process inventories. The Company's cost of sales increased by 25% to US$44.2 million in the 12 months ending December 31, 2014 from US$35.5 million for the same period in 2013. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, as well as higher salaries and wages, utilities and depreciation due to the acquisition of a new operating company.

- Raw materials, spare parts, supplies and other inventories grew by 24% to US$28.4 million for the 12 months ending December 31, 2014 from US$23 million for the same period in 2013.
- Salaries, wages and employees' benefits increased by 10% to US$7.8 million for the 12months ending December 31, 2014, from US$7.1 million for the same period in 2013.
- Depreciation and amortization increased by 26% to US$2.8 million for the 12 months ending December 31, 2014 from US$2.3 million for the same period in 2013.
- Utility expenses amounted to US$3.6 million for the 12 months ending December 31, 2014, from US$3.4 million for the same period in 2013, an increase of 4%.

Freight and duties increased by 4% to US$739 thousand for the 12 months ending December 31, 2014 from US$709 thousand for the same period in 2013. Other cost of sales increased by 35% to US$513 thousand for the 12 months ending December 31, 2014 from US$378 thousand for the same period in 2013.

The Company's gross margin was 15% for the 12 months ending December 31, 2014, four percentage points lower than the gross margin recorded for the same period in 2013.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2014 amounted to US$3.3 million, 37% higher compared to the US$2.4 million recorded during the same period in 2013.

Net Income (Loss) Before Income Tax

For the 12 months ending December 31 2014, the Company recorded a net income before income tax of US$6.6 million, an increase of 35% compared with US$4.9 million recorded for the same period in 2013. The increase can be attributed to the gain from the excess of the fair market value of net assets over the acquisition cost (RBW acquisition).

Provision for Income Tax

Provision for income tax for the 12 months ending December 31 2014 amounted to US$79 thousand compared with US$260 thousand for the same period in 2013, a decrease of 70%. The decrease was due to the lower taxable income of CEC in 2014.

Net Income After Tax

The Company's net income for the 12 months ending December 31 2014 amounted to US$6.9 million, an increase of 45% compared with US$4.8 million for the same period in 2013.

Financial Condition

For the 12-month period ending December 31, 2014 compared to the period ending December 31, 2013

Assets

The Company's cash and cash equivalent for the 12months ending December 31, 2014 amounted to US$12.6 million, compared with US$7 million for the period ending December 31, 2013, an increase of US$5.6 million or 79%. The increase was mainly due to proceeds from corporate notes issued by the Company in December 2014.

Trade and other receivables for the 12 months ending December 31, 2014 amounted to US$15.6 million, compared with US$4 million for the period ending December 31, 2013, a 284% increase. The increase was mainly due to the effect of consolidation of a subsidiary's trade and other receivables.

Inventory levels for the 12 months ending December 31, 2014 amounted to US$10.8 million, 43% higher compared with US$7.5 million for the period ending December 31, 2013. This was mainly due to the effect of consolidation of a subsidiary's inventory.

Financial assets at fair value through profit and loss refer to short-term investments of the Company. For the 12 months ending December 31, 2014, short term investments amounted to US$702 thousand compared with US$8 million for the period ending December 31 2013, a 91% decline. The proceeds from the short term investment were used to fund the Company's recent acquisition.

Other current assets for the 12 months ending December 31, 2014 totaled US$1.9 million, compared with US$1.8 million for the period ending December 31 2013, an increase of 4%. The change was mainly due to security deposit and prepaid expenses.

Non-current assets, comprised of Property, plant and equipment (PPE), deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2014 amounted to US$19.2 million compared with US$16.6 million for the period ending December 31, 2013, an increase of 16%. The increase in was due to consolidation of a subsidiary's noncurrent assets.

Liabilities

The Company's current liabilities is comprised of trade and other payables, long-term debt – current portion and net of deferred financing costs, short-term loan, amounts owed to related parties, income tax payable, dividends payable and derivative liability. For the 12 months ending December 31, 2014, current liabilities were at US$16.4 million compared with US$6.2 million for the period ending December 31, 2013, a 166% increase. This can be mainly attributed to increase in trade and other receivables, short-term loan and current portion of long-term debt.

For the 12 months ending December 31, 2014, the Company's non-current liabilities, comprised of long-term debt – net of current portion and deferred financing costs and retirement benefit obligation, amounted to US$25.4 million, a 165% increase compared to US$10.6 million for the period ending December 31, 2013. The increase was mainly due to increase in long-term debt.

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2014 amounted to US$35.7 million compared with US$30.5 million for the period ending December 31, 2013, a 17% increase. The increase in equity was due to profits recorded by the Company in 2014, less cash dividends paid out during the year.

Liquidity and Capital Resources

For the 12 months ending December 31, 2014, the Company's principal sources of liquidity was cash from sales of its products, IPO proceeds, bank credit facilities and proceeds from its 5-year corporate notes issuance. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's Initial Public Offering, proceeds of the Company's corporate notes issuance, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

The following table sets out the Company's cash flows for the 12 months ending December 31, 2014 and the same period 2013:

In US$ Thousands	**For the 12 months ending December 31**	
	2014	**2013**
Net cash flows provided by/ (used for) operating activities	3,851	8,605
Net cash flows provided by/ (used for) investing activities	1,933	(11,496)
Net cash flows provided by/ (used for) financing activities	3,612	(3,099)
Net increase (decrease) in cash equivalents	5,529	(5,990)

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$7.4 million for the 12 months ending December 31, 2014, compared with US$7.6 million for the same period in 2013.

For the 12 months ending December 31, 2014, net income before tax was US$6.6 million. After adjustments for depreciation, unrealized foreign exchange gain/losses, interest income/expense, and excess of the fair value of net assets acquired over the aggregate consideration transferred, operating income before change in working capital was US$7.4 million. Changes in working capital reduced operating income by US$3.6 million. This was mainly due to increase in trade and other receivables.

Investing Activities

Net cash used in investing activities amounted to US$1.9 million for the 12 months ending December 31, 2014. Investing activities mainly involved payment of consideration for a company acquired,purchase of production-related machinery and equipment, and proceeds from financial assets at FVPL. For the same period in 2013, cash used in investing activities totaled US$3.5 million, the bulk of which was spent on production-related machinery and equipment and facility and production tools.

Financing Activities

Net cash flow used for financing activities for the 12 months ending December 31, 2014 amounted to US$3.6 million. Major financing activities involved payment of cash dividends, payment of short-term and long-term loans, interest and proceeds from availment of short-term loan and long term debt. For the same period in 2013 financing activities amounted to US$3.1 million and mainly involved payment of cash dividends, interest payments, payments of short term and ong term loan and proceeds from short-term bank facilities.

Material Changes to the Company's Unaudited Income Statement as of December 31, 2014 compared to the Unaudited Income Statement as of December 31, 2013 (increase/decrease of 5% or more)

- 18% increase in net sales
  Growth of Multichip and Hermetics Divisions, and net sales contribution of new subsidiary

- 25% increase in cost of sales
  Increase in net sales

- 37% increase in operating expenses
  Consolidation of a subsidiary's operating expenses

- 35% increase in Net Income Before Tax
  Gain from the excess of the fair market value of net assets over the acquisition cost (RBW acquisition).

- 70% decrease in Provision for Income Tax
  Lower taxable income of CEC
- 45% increase in Net Income After Tax

Gain from the excess of the fair market value of net assets over the acquisition cost (RBW acquisition) and other comprehensive income

Material Changes to the Company's Unaudited Balance Sheet as of June 30, 2014 compared to the Audited Balance Sheet as of December 31, 2013 (increase/decrease of 5% or more)

- 79% increase in Cash and Cash Equivalent
  Proceeds from corporate notes issued by the Company

- 284% increase in Trade and Other Receivables – Net
  Consolidation of a subsidiary's trade and other receivables

- 43% increase in inventories
  Consolidation of a subsidiary's inventories

- 91% decrease in Financial assets at fair value through profit or loss
  Proceeds used to fund acquisition of new company

- 16% increase in Other Non-current Assets
  Consolidation of a subsidiary's noncurrent assets

- 166% increase in Current Liabilities
  Increase in trade and other receivables, short-term loan and current portion of long-term debt

- 165% increase in Non-current Liabilities
  Increase in long-term debt
- 17% increase in Total Equity
  Increase in retained earnings

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2012**	**2013**		**2014**
EBITDA		7,471	8,385		10,425,111
EBITDA Margin		18%	19%		20%
Sales Growth		10%	8%		18%
Current Ratio (x)		5 x	5 x		3.6x
Earnings per share (US$)		0.024	0.017		0.022

Note:
***Earnings per Share was calculated using CHPC's average outstanding common shares from January 1 to September 30 2014 for 2014 and full year for the years 2012and 2013*

- *EBITDA and EBITDA Margin*

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

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

  EBITDA and EBITDAR Margin are not measures of performance under PFRS, and investors should not consider EBITDA and EBITDA Margin in isolation or as alternatives to net income as an indicator of our Company's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA and EBITDA Margin calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

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

	For the years ended December 31		
In US$ 000	**2012**	**2013**	**2014**
Net income	4,209	4,636	6,926
Add back:			
Interest expense/income-net	60	285	520
Provision for income tax	55	260	79
Depreciation and amortization	3,037	2,310	2,900
Unrealized foreign exchange losses		894	
Unrealized mark to market loss/(gain)	10		-
–EBITDA	**7,471**	**8,385**	**10,425**

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

	For the years ended December 31		
In US$ 000	**2012**	**2013**	**2014**
EBITDA	7,471	8,385	10,425
Deduct:			
Interest expense/(income)	(60)	(285)	(520)
Provision for income tax	((155)	(260)	(79)
Depreciation and amortization	(3,037)	(2,310)	(2,900)
Unrealized foreign exchange losses		-	
Unrealized mark to market gain	(10)	-	-
Net Income	**4,209**	**4,636**	**6,926**

- *Sales growth*

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

- *Current ratio*

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

- *Earnings per share*

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

FINANCIAL RISK DISCLOSURE

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

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

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

The Company has allocated up to US$3 Million for capital expenditure for full year 2015, from the proceeds of the Company's Initial Public Offering and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

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

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

ITEM 7 FINANCIAL STATEMENTS

Please see attached Audited Financial Statements ending 31 December 2014.

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

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, 66 years old was elected as the Company's Chairman and President on May 25, 2012. 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.

Nicanor Lizares, 51 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, 48 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, 58 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 Collegio de San Juna de Letran.

Rafael G. Estrada, 64, is Chairman and President of First National Holdings Corporation and Chairman of Delta Agrivet Commercial, Inc. and Waterfor Calasiao, Inc. Previously, Mr. Estrada served as Vice Chairman of the Social Security System, and served as director for Land Bank of the Philippines, Union Bank of the Philippines, Manila Doctors Hospital and Medical Center Manila. He obtained is BS Management degree from the University of Sto. Tomas and his MBA (candidate) from the University of Virginia.

Martin Ignacio P. Lorenzo, 50 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, 72 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, 63 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, 29 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 Cirtek Group unnamed is as follows:

Name & Position	Year	Salary	Bonus
Jerry Liu (President) Anthony Buyawe (CFO) Jorge Aguilar (General Manager) Antonio Callueng (Sales Director) Raul Santiano (Vice President)	2014	₱14.0 million	₱2.0 million
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2014	₱ 15.0 million	₱ 3.0 million

Name & Position	Year	Estimated Salary	Estimated Bonus
Jerry Liu (President) Anthony Buyawe (CFO) Domingo Bonifacio (President CATS) Rolando Enriquez (Vice President CATS) Jorge Aguilar (President CEC)	2015	₱25.0 million	₱4.0 million

Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2015	₱ 30.0 million	₱ 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.

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 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 27 March 2015:

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	185,327,983	60.13

Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	122,211,568	39.65
Common	Total			307,601,21	99.79%

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

Participant	Number of Shares	Percentage
Evergreen Securities	42,428,013	13.8%
Guild Securities	35,513,516	11.5%
PCCI Securities	29,363,460	9.5%

Except as stated above, the corporation has no knowledge of any person or any Cirtek 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 31 March 2014 are as follows:

Title of Class	Name of Beneficial Owner	No. of Shares Held	Citizenship	Percent
Common	Jerry Liu	1	Chinese	0.0000
Common	Rafael G. Estrada	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 2015 owns 217,617,027 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:

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

		Amount		Amounts owed to related parties			
	Nature of Transactions	**2014**	2013	**2014**	2013	Terms	Conditions
Other related parties							
CLC	Rental	**$10,630**	($18,586)	**$420,679**	$410,049	Due and demandable; non-interest bearing	Unsecured
Cayon	Rental	**12,095**	10,427	**49,467**	37,371	Due and demandable; non-interest bearing	Unsecured
		$22,725	($8,159)	**$470,146**	$447,420		

b. Amounts owed by related parties

	Nature of Transactions	Volume 2014	Volume 2013	Outstanding Balances 2014	Outstanding Balances 2013	Terms	Conditions
Other related parties							
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**	206,284	Due and demandable; non-interest bearing	Unsecured; no impairment
Camerton, Inc.	Reimbursement of expenses	**–**	**(353)**	**33,161**	33,161	Due and demandable; non-interest bearing	Unsecured; no impairment
Jerry Liu	Reimbursement of expenses	**2,900,663**	**173,714**	**3,074,377**	173,714	Due and demandable; non-interest bearing	Unsecured; no impairment
		$2,900,663	**$179,724**	**$5,123,078**	$2,222,415		

c. Rental deposit

	Amount 2014	Amount 2013	Outstanding Balances (see Note 9) 2014	Outstanding Balances (see Note 9) 2013	Terms	Conditions
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 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, 2014 and 2013 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, 2014 and 2013 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 $14,434, $16,314 and $41,162 in 2014, 2013 and 2012, 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 $13,114, $14,823 and $14,329 in 2014, 2013 and 2012, 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

Cirtek Holdings Philippines Corporation
Report on Uses of Proceeds
As of December 31, 2014

		Php
Net Balance of Proceeds from the offering as of December 31, 2011		247,799,583
Uses of Proceeds		
Acquisition of new equipment	197,146,118	
Working Capital	50,653,465	
Total Uses of Proceeds		247,799,583
Net Balance of proceeds from the offering as of December 31, 2014		-

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 1 6 2015

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
JERRY LIU	TIN No.	279-728-000	
ANTHONY BUYAWE	TIN No.	102-082-204	
TADEO F. HILADO	06847920	Feb. 27, 2015	Taguig

JOEL G. GORDOLA
NOTARY PUBLIC
Notary Public
ROLL NO. 25103
ADM. No. NP-056
UNIT 1-878 QUIRINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. 0982085-1-9-15 Q.C.
PTR No. 0560886-1-5-15 Q.C.
MCLE No. V-0001531-1-22-14

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Series of 2015

SGV
Building a better working world

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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 the accompanying Consolidated Financial Statements of Cirtek Holdings Philippines Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2014 in accordance with Philippine Standards on Auditing and have issued our report thereon dated April 10, 2015. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules I to IV and A to H listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

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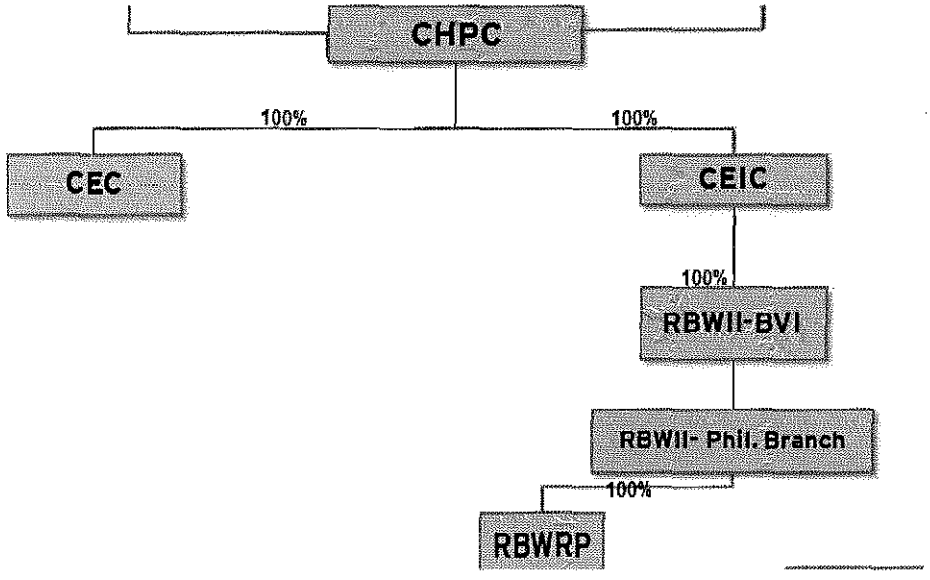
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2014



SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				✓
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

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

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiatives*	See footnote.*		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	See footnote.*		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	See footnote.*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions*	See footnote.*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	See footnote.*		

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

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

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

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

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

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

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

Unappropriated Retained Earnings, beginning		**$35,762**
Adjustments in previous year's Reconciliation:		
Less: Non-actual/unrealized income net of tax		
Unappropriated Retained Earnings, as adjusted, beginning		**35,762**
Net Income based on the face of AFS	**$3,169,977**	
Add: Non-actual losses	–	
Less: Non-actual/unrealized income net of tax	–	
Net Income Actual/Realized		**3,169,977**
Transfer from Appropriated to Unappropriated Retained Earnings		–
Unappropriated Retained Earnings, as adjusted, ending		–
Less: Dividends declared in 2014		
Cash dividends declared	**(1,800,000)**	
Stock dividends declared	**(1,334,068)**	**(3,134,068)**
Retained earnings available for dividend declaration		**$71,671**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2014

Ratios	Formula	31-Dec-14	31-Dec-13
(i) Current Ratio	Current Assets/Current Liabilities	**3.56**	4.99
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	**0.76**	0.32
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	**0.41**	0.09
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.17**	1.55
(iv) Interest Cover Ratio	EBITDA/Interest Expense	**(13.43)**	(18.80)
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.15**	0.19
Net Profit Margin	Net Income/Revenues	**0.13**	0.11
EBITDA Margin	EBITDA/Revenues	**0.14**	0.17
Return on Assets	Net Income/Total Assets	**0.08**	0.10
Return on Equity	Net Income/Total Equity	**0.18**	0.15

*EBITDA = Operating income before working capital changes

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	$12,602,322	$12,602,322	–
Trade and other receivables	N/A	15,586,934	15,586,934	–
Financial asset at fair value through profit or loss	N/A	701,747	701,747	–
Amounts owed by related parties	N/A	5,123,078	5,123,078	–
Other current assets				
Rental deposit	N/A	1,133,929	1,133,929	–
Loan to employees	N/A	94,111	94,111	–
Held-to-maturity investments	N/A	1,188,130	1,188,130	–
Other noncurrent assets				
Miscellaneous deposits	N/A	167,551	167,551	–
		$36,597,802	$36,597,802	$–

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Advances to officers and employees	$134,072	$139,122	($179,083)	$94,111	$–	$94,111
	$134,072	$139,122	($179,083)	$94,111	$–	$94,111

Amounts owed by Related Parties

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holding, Inc.	$1,809,256	$–	$–	$1,809,256	$–	$1,809,256
Carmerton, Inc.	33,161	–	–	33,161	–	33,161
Cayon Holdings, Inc.	206,284	–	–	206,284	–	206,284
Jerry Liu	173,714	2,900,663	–	3,074,377	–	3,074,377
	$2,222,415	$2,900,663	$–	$5,123,078	$–	$5,123,078

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

Receivables from related parties which are eliminated during the consolidation

(under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Cirtek Electronics Corporation	$37,663,571	$5,459,191	$–	$–	$43,122,762	$–	$43,122,762
Cirtek Electronics International Corporation	–	9,000,000	–	–	9,000,000	–	9,000,000
Cirtek Advanced Technology Solution Inc.	–	1,499,468	–	–	1,499,468	–	1,499,468
Cirtek Holdings Philippines Corporation	12,366,567	11,376,956	–	–	23,743,523	–	23,743,523
	$50,030,138	$27,335,615	$–	$–	$77,365,753	$–	$77,365,753

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Electronics Corporation	$37,663,571	$5,459,191	$–	$–	$43,122,762	$–	$43,122,762
Cirtek Electronics International Corporation	–	9,000,000	–	–	9,000,000	–	9,000,000
Cirtek Advanced Technology Solution Inc.	–	1,499,468	–	–	1,499,468	–	1,499,468
Cirtek Holdings Philippines Corporation	12,366,567	11,376,956	–	–	23,743,523	–	23,743,523
	$50,030,138	$27,335,615	$–	$–	$77,365,753	$–	$77,365,753

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS AT DECEMBER 31, 2014

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Advances to supplier	$43,440	$58,500	$–	$–	$–	$101,940
Development Cost	469,965	163,907	(72,940)	–	–	560,932
Notes Receivable	–	–	–	–	87,373	87,373
Miscellaneous Deposit	168,776	–	–	–	(1,266)	167,510
	$682,181	$222,407	($72,940)	$–	$86,107	$917,755

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS AT DECEMBER 31, 2014

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes Payable	$18,684,680	$967,861	$17,716,819
Interest-bearing loan	8,479,933	2,444,218	6,035,715
	$1,820,353,996	$328,514,924	$1,491,839,072

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS AT DECEMBER 31, 2014

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

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS AT DECEMBER 31, 2014

Guarantees of Securities of Other Issuers

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

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS AT DECEMBER 31, 2014

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

CIRTEK
Holdings Philippines Corporation

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, 2014, 2013 and 2012**, 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, 2014, 2013 and 2012, 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 16 2015 QUEZON CITY

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
Jerry Liu	113-279-728-000		
Anthony Buyawe	102-028-239-000		

JOEL G. CORDOLA
NOTARY PUBLIC
ROLL No. 25103
ADM. NO. NP-000
NOTARY PUBLIC
UNIT 1-878 QUIRINO HIWAY GULOD
NOVALICHES QUEZON CITY
IBP No. 0962685-1-9-15 Q.C.
PTR No. 0560686-1-5-15 Q.C.
MCLE No. V-0001931-1-22-14

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Cirtek Holdings Philippines Corporation
and Subsidiaries

Consolidated Financial Statements
December 31, 2014 and 2013
and Years Ended December 31, 2014, 2013 and 2012

and

Independent Auditors' Report

SGV

Building a better
working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Cirtek Holdings Philippines Corporation

We have audited the accompanying consolidated financial statements of Cirtek Holdings Philippines Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, 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, 20144, 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.

SGV
Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cirtek Holdings Philippines Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

APR 07 2015

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$12,602,322**	$7,023,747
Trade and other receivables (Note 6)	**15,586,934**	4,060,866
Inventories (Note 7)	**10,768,681**	7,534,619
Financial asset at fair value through profit or loss (Note 8)	**701,747**	8,055,039
Amounts owed by related parties (Note 6)	**5,123,078**	2,222,415
Held-to-maturity investments (Note 10)	**114,341**	–
Other current assets (Note 9)	**1,871,111**	1,801,286
	46,768,214	30,697,972
Noncurrent assets-held-for-sale (Note 11)	**11,408,611**	–
Total Current Assets	**58,176,825**	30,697,972
Noncurrent Assets		
Property, plant and equipment (Note 11)	**17,015,168**	15,783,581
Held-to-maturity investments (Note 10)	**1,073,789**	–
Deferred income tax asset (Note 22)	**186,579**	83,754
Other noncurrent assets (Note 12)	**962,504**	687,748
Total Noncurrent Assets	**19,238,040**	16,555,083
TOTAL ASSETS	**$77,414,865**	$47,253,055
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**$9,434,272**	$4,383,654
Short-term loan (Note 14)	**2,100,000**	200,000
Long-term debt - current portion and net of deferred financing costs (Note 15)	**3,412,079**	964,977
Amounts owed to related parties (Note 16)	**470,147**	447,420
Deferred revenues	**405,144**	–
Income tax payable	**349,237**	58,210
Provision for warranty	**148,954**	–
Derivative liability (Note 25)	**40,836**	102,090
Total Current Liabilities	**16,360,669**	6,156,351
Noncurrent Liabilities		
Long-term debt - net of current portion and deferred financing costs (Note 15)	**23,752,534**	8,684,679
Retirement benefit obligation (Note 20)	**1,645,787**	1,881,835
Total Noncurrent Liabilities	**25,398,321**	10,566,514
Total Liabilities	**41,758,990**	16,722,865
Equity		
Capital stock (Note 27)	**7,893,134**	6,559,066
Additional paid-in capital	**4,733,511**	4,733,511
Equity reserve	**4,138,375**	4,138,375
Other comprehensive income	**317,579**	(66,414)
Retained earnings (Note 27)	**18,573,276**	15,165,652
Total Equity	**35,655,875**	30,530,190
TOTAL LIABILITIES AND EQUITY	**$77,414,865**	$47,253,055

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET SALES	**$51,792,081**	$43,984,426	$40,631,136
COST OF SALES (Note 17)	**(44,251,335)**	(35,476,436)	(33,790,977)
GROSS PROFIT	**7,540,746**	8,507,990	6,840,159
OPERATING EXPENSES (Note 18)	**(3,328,456)**	(2,432,700)	(2,378,331)
FINANCIAL INCOME (EXPENSES)			
Interest income	**31,704**	118,370	123,117
Interest expense	**(551,334)**	(403,450)	(182,980)
	(519,630)	(285,080)	(59,863)
OTHER INCOME (CHARGES) (Note 21)	**2,928,008**	(893,555)	160,008
INCOME BEFORE INCOME TAX	**6,620,668**	4,896,655	4,561,973
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)			
Current	**202,011**	190,813	215,287
Deferred	**(123,035)**	69,006	(60,479)
	78,976	259,819	154,808
NET INCOME	**6,541,692**	4,636,836	4,407,165
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on retirement benefit, net of deferred tax	**383,993**	131,779	(98,193)
TOTAL COMPREHENSIVE INCOME	**$6,925,685**	$4,768,615	$4,208,972
Earnings Per Share			
Basic and diluted - as restated (Note 23)	**$0.020**	$0.014	$0.018

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, 2014, 2013 AND 2012

	Capital Stock						
	Issued	Undistributed Stock Dividends (Note 7)	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings (Note 7)	Total
Balances at January 1, 2011	$3,720,358	$–	$4,733,511	$4,138,375	$–	$11,530,296	$24,122,540
Net income for the year	–	–	–	–	–	4,407,165	4,407,165
Other comprehensive loss	–	–	–	–	(198,193)	–	(198,193)
Total comprehensive income (loss)	–	–	–	–	(198,193)	4,407,165	4,208,972
Cash dividends declared at $0.004933 per share (Note 7)	–	–	–	–	–	(800,000)	(800,000)
Stock dividends (Note 7)	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
Balances at January 1, 2013	$4,460,896	$950,847	$4,733,511	$4,138,375	($198,193)	$13,446,076	$27,531,512
Net income for the year	–	–	–	–	–	4,636,836	4,636,836
Other comprehensive income	–	–	–	–	131,779	–	131,779
Total comprehensive income	–	–	–	–	131,779	4,636,836	4,768,615
Issuance of undistributed stock dividends	950,847	(950,847)	–	–	–	–	–
Cash dividends declared at $0.004796 per share (Note 7)	–	–	–	–	–	(1,119,937)	(1,119,937)
Stock dividends during the year (Note 7)	1,147,323	–	–	–	–	(1,147,323)	–
Cash dividends declared at $0.00232 per share (Note 7)		–	–	–	–	(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
Balances at January 1, 2014	$6,559,066	$–	$4,733,511	$4,138,375	($66,414)	$15,165,652	$30,530,190
Net income for the year	–	–	–	–	–	6,541,692	6,541,692
Other comprehensive income	–	–	–	–	383,993	–	383,993
Total comprehensive income	–	–	–	–	383,993	6,541,692	6,925,685
Cash dividends declared at $ 0.004282 per share (Note 7)	–	–	–	–	–	(1,200,000)	(1,200,000)
Stock dividends during the year (Note 7)	644,803	689,265	–	–	–	(1,334,068)	–
Cash dividends declared at $ 0.002141 per share (Note 7)	–	–	–	–	–	(600,000)	(600,000)
Balances at December 31, 2014	$7,203,869	$689,265	$4,733,511	$4,138,375	$317,579	$18,573,276	$35,655,875

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$6,620,668**	$4,896,655	$4,561,973
Adjustments for:			
Depreciation and amortization (Note 11)	**2,900,520**	2,309,774	3,037,385
Interest expense (Notes 14 and 15)	**551,334**	403,450	182,980
Excess of the fair value of net assets acquired over the aggregate consideration transferred (Note 4)	**(2,573,837)**	–	–
Net unrealized foreign exchange losses (gains)	**(61,768)**	22,879	149,221
Interest income (Note 5)	**(31,704)**	(118,370)	(123,117)
Change in fair value of financial asset at FVPL (Note 8)	–	(33,472)	–
Mark-to-market loss on forward contracts	–	102,090	9,480
Operating income before working capital changes	**7,405,213**	7,583,006	7,817,922
Decrease (increase) in:			
Inventories	**3,414,890**	41,504	(2,232,592)
Trade and other receivables	**(6,642,564)**	1,004,963	(403,415)
Other current assets	**107,565**	(59,910)	(82,560)
Increase (decrease) in:			
Trade and other payables	**(201,197)**	(100,125)	(718,351)
Retirement benefit obligation (Note 20)	**(242,529)**	262,301	215,925
Net cash generated from operations	**3,841,378**	8,731,739	4,596,929
Interest received	**31,704**	70,446	117,436
Income taxes paid	**(22,004)**	(197,685)	(185,346)
Net cash flows from operating activities	**3,851,078**	8,604,500	4,529,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from (investment in) financial asset at FVPL	**7,353,292**	(8,021,567)	–
Acquisitions of property, plant and equipment (Note 11)	**(1,860,794)**	(3,474,172)	(3,366,817)
Net payment for the acquisition of REMEC entities	**(7,173,926)**	–	–
Decrease (increase) in other noncurrent assets	**39,231**	–	(163,006)
Net cash flows used in investing activities	**(1,642,197)**	(11,495,739)	(3,529,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loan (Note 14)	**3,300,000**	400,000	1,500,000
Long-term debt (Note 15)	**10,000,000**	–	10,000,000
Transaction costs from availment of long-term debt (Note 15)	–	–	(152,650)
Payments of:			
Cash dividends	**(1,800,000)**	(1,769,937)	(3,608,003)
Interest (Note 13)	**(415,198)**	(317,774)	(100,504)
Long-term loan	**(3,495,131)**	(613,200)	
Short-term loan (Note 4)	**(1,100,000)**	(200,000)	(1,500,000)
Net cash settlement on forward contracts	–	(482,073)	–
Net movement in amounts owed by and owed to related parties	**(3,169,115)**	(115,742)	42,637
Net cash flows from (used in) financing activities	**3,320,556**	(3,098,726)	6,181,480
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,529,437**	(5,989,965)	7,180,676
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**49,138**	(97,250)	(47,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,023,747**	13,110,962	5,978,249
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$12,602,322**	$7,023,747	$13,110,962

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

On March 1, 2011, the Parent Company acquired from Cirtek Holdings, Inc. (CHI) 155,511,952 common shares of Cirtek Electronics Corporation (CEC), and 50,000 shares of Cirtek Electronics International Corporation (CEIC), representing 100% of the outstanding capital stock of both companies.

The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method. Accordingly, all financial information for the periods prior to the effectivity of the combination were restated as if the Parent Company, CEC and CEIC (collectively referred to as "the Group") had always been combined but depending on whether these entities were under common control for the periods presented.

The Group is primarily engaged in the manufacture and sale of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services. CEC manufactures standard integrated circuits, discrete, hybrid and potential new packages and provides complete turnkey solutions that include wafer probing, wafer back grinding, assembly and packaging and final testing of semiconductor devices with majority of its client base located in United States of America (USA). CEIC sells integrated circuits principally in the USA and assigns the production of the same to CEC.

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

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

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

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

Issuance of financial statements
The consolidated financial statements of the Group as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2015.

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

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2014 and 2013 (see Notes 1 and 4):

	Country of Incorporation	Percentage of Ownership			
			2014		2013
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	–	100	–
CEIC	British Virgin Islands (BVI)	100	–	100	–
RBWHI	British Virgin Islands	–	100	–	–
RBWII - Philippine Branch	Philippines	–	100	–	–
RBWRP	Philippines	–	100	–	–

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

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

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

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

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

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

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

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

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

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

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

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

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

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables

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

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

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

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

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the

interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    The amendments are applied retrospectively and clarify that:
    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

  - PAS 40, *Investment Property*
    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

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

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

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

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

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

  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits - regional market issue regarding discount rate*
    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and* PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2014 and 2013, the Group carries a financial asset at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2014 and 2013, the Group has designated as loans and receivables its cash and cash equivalents, trade and other receivables, amounts owed by related parties, and refundable deposits (reported as part of 'Other noncurrent assets' in the consolidated balance sheet).

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

As of December 31, 2014, the Group has HTM investments but none in 2013.

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, 2014 and 2013, the Group has no AFS financial assets.

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

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

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

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.
Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

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

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

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

As at December 31, 2014 and 2013, the Group's derivative liability is classified as a financial liability at FVPL. The Group does not have a financial liability held for trading and has not designated any financial liabilities as at FVPL.

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

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

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

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

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

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

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

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

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

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

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

Financial assets carried at cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Noncurrent Asset Held for Sale

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

Borrowing Costs

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

Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns, rebates and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

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

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

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

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

Foreign Currency Transactions
The consolidated financial statements are presented in US dollars, which is the functional and presentation currency of all companies in the Group. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

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

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

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from MCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

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

Determining functional currency

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

Deferred tax liability on a subsidiary's undistributed profits

CEIC has an undistributed profit as of December 31, 2014 and 2013 that becomes taxable when distributed to the Parent Company. PAS 12, *Income Taxes,* requires the recognition of deferred tax liability on taxable temporary difference associated with investments in subsidiaries and interests in joint ventures, unless the Group has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has made a judgment that it is probable that the temporary difference will not reverse in the foreseeable future based on management's plan that the Group will not be declaring dividends from CEIC in the foreseeable future. Accordingly, no deferred tax liability has been recognized on the undistributed profits of CEIC.

Operating lease commitments - Group as lessee

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

Estimation Uncertainty

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

Estimating useful lives of property, plant and equipment

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

Depreciation charged in the consolidated statement of comprehensive income amounted to $2,900,520, $2,309,774, and $3,037,385 in 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the Group's property, plant and equipment have a net book value of $17,015,168 and $15,783,581, respectively (see Note 11).

Assessing impairment of nonfinancial assets
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

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

	2014	2013
Advances to suppliers, prepaid expense and others under other current assets (see Note 9)	**$462,683**	$598,944
Property, plant and equipment (see Note 11)	**17,015,168**	15,783,581
Product development cost, advances to suppliers included under other noncurrent assets (see Note 12)	**789,426**	513,405

No impairment loss was recognized as of December 31, 2014, 2013 and 2012.

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

The estimated allowance for inventory obsolescence is $641,583 and $96,885 for 2014 and 2013, respectively. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to $10,768,681 and $7,534,619 as of December 31, 2014 and 2013, respectively (see Note 7).

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

allowance for impairment would increase the Group's recorded expenses and decrease current assets.

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

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

In 2014 and 2013, the Group has not provided any impairment allowance since receivables were assessed to be fully collectible. The carrying amount of trade and other receivables, loans to employees and amounts owed by related parties amounted to $20,804,123 and $6,417,353 as of December 31, 2014 and 2013, respectively (see Notes 6 and 16).

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

The Group's retirement benefit cost amounted to $242,529, $262,301 and $215,925 in 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the Group's retirement benefit obligation amounted to $1,645,354 and $1,881,835, respectively (see Note 20).

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

As of December 31, 2014 and 2013, the software costs have been fully amortized (see Note 2). The carrying of capitalized development cost amounted $560,932 and $469,965 as of December 31, 2014 and 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 $389,743 and $439,219 as of December 31, 2014 and 2013, respectively (see Note 22).

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

The provision for warranty amounted to $0.5 million as of December 31, 2014.

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 2014 and 2013 (see Note 28).

4. Business Combination

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

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

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

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

Results of Operation	For the period August 01, 2014 to December 31, 2014
Net sales	$11,729,914
Cost of sales	(9,824,009)
Gross income	1,905,905
Operating expenses	(690,228)
Financial income - net	133,749
Income before income tax	1,349,426
Provision for income tax	53,829
Net income	1,295,597
Fair value of asset acquired	$10,038,942
Cash consideration transferred	7,465,105
Excess of the fair value of net assets acquired over the aggregate consideration transferred	$2,573,837

The negative goodwill represents the contemplated discount granted by the seller as part of the terms of the SPA.

5. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**$12,598,873**	$7,020,304
Short-term deposits	**3,449**	3,443
	$12,602,322	$7,023,747

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

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

6. Trade and Other Receivables

	2014	2013
Trade	**$10,365,745**	$4,054,523
Others (see Notes 9 and 10)	**5,221,189**	6,343
	$15,586,934	$4,060,866

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

	2014	2013
At Cost:		
Raw materials	**$4,820,159**	$2,241,400
Finished goods	**889,141**	1,182,590
Work in process	**4,082,702**	3,115,904
Spare parts	**510,748**	670,508
	10,302,750	7,210,402
At NRV:		
Supplies and others	**465,931**	324,217
Total inventories at lower of cost and NRV	**$10,768,681**	$7,534,619

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

The cost of supplies and other inventories amounted to $419,974 and $421,102, respectively.

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

	2014	2013
Balances at beginning of year	**$96,885**	$96,885
Addition (see Note 17)	**544,698**	–
Balances at end of year	**$641,583**	$96,885

The cost of inventories recognized as cost of sales amounted to $28,352,936, $22,954,231 and $20,668,115 in 2014, 2013 and 2012, respectively (see Note 17).

8. Financial Asset at Fair Value through Profit or Loss

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

	2014	2013
Balances at beginning of year	**$8,055,039**	$–
Initial investment	**–**	8,021,567
Disposal during the year	**(7,538,277)**	–
Fair value gains (see Note 20)	**184,985**	33,472
Balance at end of year	**$701,747**	$8,055,039

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

9. Other Current Assets

	2014	2013
Rental deposit (see Note 16)	**$1,133,929**	$1,131,399
Advances to suppliers	**235,742**	235,709
Security deposit	**180,387**	–
Prepaid expenses	**104,532**	–
Loans to employees	**94,111**	134,072
Others	**122,410**	300,106
	$1,871,111	$1,801,286

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

10. Held-to-Maturity Investments

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

Current portion	**$114,341**
Noncurrent portion	**1,073,789**
	$1,188,130

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

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

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

11. Property, Plant and Equipment

December 31, 2014

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

December 31, 2013

	Land	Machinery and Equipment	Buildings and Improvement	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	**$45,031,098**
Additions	–	2,466,200	–	950,470	57,502	–	**3,474,172**
Disposals	–	–	–	–	–	–	**–**
Ending balances	–	36,453,977	5,649,376	5,489,442	826,271	86,204	**48,505,270**
Accumulated Depreciation:	–						
Beginning balances	–	23,617,503	3,475,650	2,591,241	664,349	63,172	**30,411,915**
Depreciation	–	1,269,119	242,168	723,288	70,264	4,935	**2,309,774**
Disposals	–	–	–	–	–	–	**–**
Ending balances	–	24,886,622	3,717,818	3,314,529	734,613	68,107	**32,721,689**
Net Book Values	**$ –**	**$11,567,355**	**$1,931,558**	**$2,174,913**	**$91,658**	**$18,097**	**$15,783,581**

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

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

12. Other Noncurrent Assets

	2014	2013
Product development costs	**$560,932**	$469,965
Miscellaneous deposits	**167,551**	168,776
Advances to suppliers	**101,940**	43,440
Note receivable	**87,373**	–
Others	**44,708**	5,567
	$962,504	$687,748

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, 2014 and 2013, 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, 2014 and 2013, amortization of product development cost was charged to the consolidated statements of comprehensive income for the development costs incurred in 2013 and 2012, respectively, as these are substantially available for use.

13. Trade and Other Payables

	2014	2013
Trade	**$5,263,140**	$3,487,478
Accruals:		
Payroll	**878,519**	56,554
Utilities	**381,567**	416,540
Interest	**206,336**	70,200
Others	**99,485**	42,072
Advances from customers	**1,835,464**	153,544
Others	**769761**	157,266
	$9,434,272	$4,383,654

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

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

Advances from customers pertain mainly to downpayments for sales orders.

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

14. Short-term loan

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

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. The amount was fully paid in 2014.

15. Long-term debt

	2014	2013
5-year corporate note-secured	**$8,750,000**	$9,750,000
Additions:		
Additional availment during the year	**10,000,000**	–
Due to business combination	**8,479,933**	–
Less deferred financing costs	**65,320**	100,344
	27,164,613	9,649,656
Less current portion - net of deferred financing costs	**3,412,079**	964,977
	$23,752,534	$8,684,679

CHPC

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

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date is payable in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date.

Prior to the maturity date, the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment.

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

- debt to equity ratio shall not at any time exceed 2:1
- debt service coverage ratio shall not exceed 1:5

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

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

Total interest expense charged to the consolidated statements of comprehensive income amounted to $551,334, $403,450 and $182,980 in 2014, 2013 and 2012, respectively.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by $65,320 and $100,344 as of December 31, 2014 and 2013, respectively.

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

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

16. Related Party Disclosures

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

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

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

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

a. Amounts owed to related parties

	Nature of Transactions	Amount 2014	Amount 2013	Outstanding Balances 2014	Outstanding Balances 2013	Terms	Conditions
Other related parties							
CLC	Rental	**$10,630**	($18,586)	**$420,679**	$410,049	Due and demandable; non-interest bearing	Unsecured
Cayon	Rental	**12,097**	10,427	**49,468**	37,371	Due and demandable; non-interest bearing	Unsecured
		$22,727	($8,159)	**$470,147**	$447,420		

b. Amounts owed by related parties

	Nature of Transactions	Volume 2014	Volume 2013	Outstanding Balances 2014	Outstanding Balances 2013	Terms	Conditions
Other related parties							
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**	206,284	Due and demandable; non-interest bearing	Unsecured; no impairment
Camerton, Inc.	Reimbursement of expenses	**–**	(353)	**33,161**	33,161	Due and demandable; non-interest bearing	Unsecured; no impairment
Jerry Liu	Reimbursement of expenses	**2,900,663**	173,714	**3,074,377**	173,714	Due and demandable; non-interest bearing	Unsecured; no impairment
		$2,900,663	$179,724	**$5,123,078**	$2,222,415		

c. Rental deposit

	Amount 2014	Amount 2013	Outstanding Balances (see Note 9) 2014	Outstanding Balances (see Note 9) 2013	Terms	Conditions
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 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, 2014 and 2013 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, 2014 and 2013 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 $14,434, $16,314 and $41,162 in 2014, 2013 and 2012, 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 $13,114, $14,823 and $14,329 in 2014, 2013 and 2012, respectively.

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

	2014	2013
Within one year	**$28,821**	$28,821
After one year but not more than five years	**144,103**	144,103
More than five years	**–**	28,821
	$172,924	$201,745

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

	2014	2013	2012
Salaries and wages	**$953,896**	$538,662	$499,977
Employee benefits	**194,985**	157,984	160,046
	$1,148,881	$696,646	$660,023

17. Cost of Sales

	2014	2013	2012
Raw materials, spare parts, supplies and other inventories used (see Note 7)	**$28,352,936**	$22,954,231	$20,668,115
Salaries, wages and employees' benefits (see Notes 16 and 20)	**7,821,742**	7,125,555	6,959,222
Utilities	**3,556,257**	3,409,564	3,120,341
Depreciation and amortization (see Note 11)	**2,838,858**	2,260,022	2,985,708
Inward freight and duties	**738,501**	708,910	819,971
Change in finished goods and work in process inventories (see Note 7)	**430,359**	(1,359,760)	(1,084,142)
Others	**512,682**	378,443	321,762
	$44,251,335	$35,476,436	$33,790,977

18. Operating expense

	2014	2013	2012
Salaries, wages and employees' benefits (see Notes 16 and 20)	**$1,594,075**	$1,036,979	$1,032,961
Utilities	**290,845**	286,836	287,189
Transportation and travel	**284,608**	259,143	248,340
Professional fees	**132,542**	206,825	239,732
Entertainment, amusement and recreation	**168,981**	248,958	182,575
Commissions	**159,935**	155,117	158,463
Depreciation (see Note 11)	**61,662**	49,753	51,677
Taxes and licenses	**47,792**	43,783	33,490
Office supplies	**27,815**	17,372	24,428
Insurance premiums	**31,191**	2,711	3,440
Provision for inventory obsolescence (see Note 7)	**–**	–	65,421
Others	**529,010**	125,223	50,615
	$3,328,456	$2,432,700	$2,378,331

19. Salaries, Wages and Employees' Benefits

	2014	2013	2012
Salaries and wages	**$7,771,711**	$6,331,838	$6,211,521
Other employees' benefits	**1,401,577**	1,568,395	1,564,737
Retirement costs (see Note 20)	**242,529**	262,301	215,925
	$9,415,817	$8,162,534	$7,992,183

20. Retirement Benefit Obligation

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

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

	2014	2013	2012 (As restated)
Current service cost	**$140,308**	$147,287	$114,309
Interest cost	**102,221**	115,014	101,616
Expense recognized during plan year	**$242,529**	$262,301	$215,925

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

	2014	2013
Present value of the obligation	**$1,780,923**	$1,951,134
Fair value of plan assets	**(135,136)**	(69,299)
Retirement benefit obligation	**$1,645,787**	$1,881,835

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

	2014	2013
Opening defined benefit obligation	**$1,951,134**	$2,006,592
Current service cost	**2,045,396**	147,287
Interest cost	**106,005**	115,014
Translation difference	**(13,000)**	(155,146)
Actuarial gain on obligation	**(403,924)**	(162,613)
Benefits paid	**(1,905,088)**	–
Closing present value of defined obligation	**$1,780,923**	$1,951,134

	2014	2013
Opening fair value of plan assets	**$69,299**	$–
Effect of business combination	**1,878,867**	–
Interest income included in net interest costs	**3,784**	478
Contributions paid	**62,764**	96,292
Actual return on plan assets excluding interest	**279**	(24,262)
Translation difference	**25,231**	(3,209)
Benefits paid	**(1,905,088)**	–
Closing fair value of plan assets	**$135,136**	$69,299

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

	2014	2013	2012
Discount rate	**4.64%**	5.46%	6.90%
Salary increase rate	**2.00%**	4.00%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2014, assuming all other assumptions were held constant:

	Increase/(Decrease) (In percentage point)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	($198,263)
	-1%	238,321
Future salary increase rate	+1%	$231,782
	-1%	(196,346)

The Company has contributed $62,764 and $96,292 to the plan assets in 2014 and in 2013. 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, 2014:

1 year or less	$55,447
More than 1 year to 5 years	545,277
More than 5 years	7,575,156

21. Other Income (Charges)

	2014	2013	2012
Excess of the fair value of net assets acquired over the aggregate consideration transferred (see Note 4)	**$2,573,837**	$–	$–
Sale of scrap	**259,819**	111,660	244,045
Foreign exchange losses - net	**151,402**	(390,651)	(4,940)
Mark-to-market loss	–	(584,163)	(81,770)
Others - net	**(57,050)**	(30,401)	2,673
	$2,928,008	($893,555)	$160,008

22. Income Taxes

CEC

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

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

RBWII – Philippine Branch

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

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

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

	Years Ended December 31		
	2014	2013	2012
Current	**$202,011**	$190,813	$215,287
Deferred	**(123,035)**	69,006	(60,479)
	$78,976	$259,819	$154,808

The provision for current income tax for the year ended December 31, 2014, 2013 and 2012 pertains to the special rate of 5% on taxable gross income of CEC, RBWII – Philippine Branch and RBWRP.

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		
	2014	2013	2012
Income tax at applicable statutory rate	**$304,717**	$244,832	$221,341
Additions to (reduction in) income tax:			
Nontaxable income	**(128,692)**	–	–
Change in unrecognized deferred income tax assets	**(60,008)**	104,722	58,853
Taxable income subject to Income Tax Holiday	**(53,519)**	(71,835)	(67,578)
Nondeductible entertainment and representation expense	**136**	11,825	2,908
Non-deductible expenses	**12,935**	3,438	7,355
Translation difference and others	**3,690**	(14,659)	(50,174)
Interest income subject to final tax	**(283)**	(18,504)	(17,897)
	$78,976	$259,819	$154,808

In 2014, 2013 and 2012, the CEC has availed an income tax holiday of certain product lines. Total gross income for the registered activities of CEC amounted to $1,070,379, $1,481,216 and $1,351,556 in 2014, 2013 and 2012, respectively.

Scrap sales amounted to $257,647, $139,701 and $244,045 in 2014, 2013 and 2012, 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:

	2014	2013
Deferred tax assets		
Accrued retirement	**$85,643**	$86,075
Allowance for impairment loss	**127,849**	–
Deferred tax liability		
Effect of foreign exchange differences between tax base and financial reporting base	**(10,015)**	(5,633)
	203,477	80,442
Deferred income tax asset (liability) related to retirement benefit obligation recognized under other comprehensive income	**(16,898)**	3,312
	$186,579	$83,754

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 $1,264,037 and $1,464,063 in 2014 and 2013, 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:

	2014	2013
NOLCO	**$375,377**	$239,426
Unrealized mark-to-market loss	**–**	18,376
Unrealized foreign exchange loss	**3,834**	181,417
	$379,211	$439,219

As of December 31, 2014 and 2013, 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	–	–	248,001
2013	2014-2016	585,191	–	–	585,191
2014	2015-2017	418,065	–	–	418,065
		$1,286,363	$–	$35,106	$1,251,257

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

23. Earnings Per Share (EPS)

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

	2014	2013	2012
Net income	**$6,541,692**	$4,636,836	$4,407,165
Weighted average number of common shares outstanding	**336,261,197**	336,261,197	240,368,810
Basic and diluted EPS	**$0.020**	$0.014	$0.018

As of December 31, 2014, 2013 and 2012, the Parent Company has no dilutive potential common shares.

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

24. Operating Segment

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

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

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

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

	2014	2013	2012
Discrete	**$10,800**	$11,506	$9,757
Multichip	**9,629**	8,878	9,081
Integrated Circuits (IC)	**8,556**	9,903	7,223
Odr	**8,003**	–	–
New Products	**5,221**	6,704	5,476
Quad-Flat No-Leads (QFN)	**3,848**	5,097	6,950
Hermetics	**2,008**	1,896	2,144
Bri	**1,534**	–	–
Ems	**1,034**	–	–
Irfu	**1,009**	–	–
Cou	**150**	–	–
	$51,792	$43,984	$40,631

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):

	2014	2013	2012
Major Customer A	**$10,778**	$–	$–
Major Customer B	**10,495**	9,543	5,142
Major Customer C	**4,809**	5,486	4,351

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):

	2014	2013	2012
Asia	**$23,880**	$11,158	$7,687
Europe	**17,238**	18,478	18,608
USA	**10,674**	14,348	14,336
	$51,792	$43,984	$40,631

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

25. Financial Risk Management Objectives and Policies

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

Risk Management Structure

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

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

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

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

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

	2014	2013
Cash and cash equivalents*	**$12,601,553**	$7,023,647
Trade and other receivables	**15,586,934**	4,060,866
Financial assets at FVPL	**701,747**	8,055,039
Amounts owed by related parties	**5,123,078**	2,222,415
Other current assets		
Rental deposit	**1,133,929**	1,131,399
Loans to employees	**94,111**	134,072
Held-to-maturity (HTM) investments	**1,181,130**	–
Other noncurrent assets		
Miscellaneous deposits	**167,551**	168,776
Total credit risk exposure	**$35,590,033**	$22,796,214

**Excluding cash on hand*

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

December 31, 2014

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

**Excluding cash on hand*

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*	$7,023,647	$–	$–	$–	$–	$–	$7,023,647
Trade and other receivables	3,168,356	775,341	87,894	2,500	26,775		4,060,866
Financial assets at FVPL	8,055,039	–	–	–	–		8,055,039
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	168,776	–	–	–	–	–	168,776
	$18,415,818	$775,341	$87,894	$2,500	$3,514,662	$–	$22,796,215

**Excluding cash on hand*

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

December 31, 2014

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents *	$12,601,553	$–	$–	$12,601,553
Trade and other receivables	14,042,759	32,854	–	14,075,613
Financial assets at FVPL	701,747	–	–	701,747
HTM investments	1,181,130	–	–	1,181,130
Other noncurrent assets				
Miscellaneous deposits	167,551	–	–	167,551
	$27,513,610	$32,854	$–	$27,546,464

** excluding cash on hand*

December 31, 2013

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents (excluding cash on hand)	$7,023,647	$–	$–	$7,023,747
Trade and other receivables	3,139,082	29,274	–	3,168,357
Financial assets at FVPL	8,055,039	–	–	8,055,039
Other noncurrent assets				
Miscellaneous deposits	168,776	–	–	168,776
	$18,386,544	$29,274	$–	$18,415,818

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, 2014

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

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	–	4,060,866	–	–	4,060,866
Amounts owed by related parties	2,222,415 –	–	–		2,222,415
	$9,246,162	$4,060,866	$–	$–	$13,307,028
Financial Liabilities					
Trade and other payables					
Trade payables	$3,487,478	$–	$–	$–	$3,487,478
Accrued expenses	–	567,374	–	–	567,374
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
	$3,934,898	$2,004,139	$4,045,825	$5,298,300	$15,283,162

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:

2014

	Original Currency in Php[1]	**Total Dollar Equivalent**
Financial assets		
Cash and cash equivalents	35,143,622	**$785,860**
Trade and other receivables	281,617	**6,343**
Financial asset at FVPL	31,382,139	**701,747**
Amounts owed by related parties	18,371,609	**413,822**
Other current assets	144,774,223	**3,176,289**
Other non-current assets	15,560,561	**353,455**
Total financial assets	**245,513,771**	**5,437,516**
Financial liabilities		
Trade and other payables	76,880,509	**1,725,970**
Amounts owed to related parties	21,024,919	**470,146**
Total financial liabilities	**97,905,428**	**2,196,116**
Net financial assets	**147,608,343**	**$3,241,400**

[1] 1 = $.0223

2013

	Original Currency in Php[1]	**Total Dollar Equivalent**
Financial assets		
Cash and cash equivalents	10,909,363	**$245,735**
Trade and other receivables	281,617	**6,343**
Financial asset at FVPL	357,603,488	**8,055,039**
Amounts owed by related parties	18,371,609	**413,822**
Other current assets	66,231,987	**1,270,472**
Other non-current assets	7,739,588	**174,335**
Total financial assets	**461,137,652**	**10,165,746**
Financial liabilities		
Trade and other payables	24,589,954	**553,890**
Amounts owed to related parties	19,863,213	**447,420**
Total financial liabilities	**44,453,167**	**1,001,310**
Net financial assets	**416,684,485**	**$9,164,436**

[1] 1 = $.0225

2014	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($518,780)	-5%	$621,825
Peso denominated liabilities	+5%	84,334	-5%	(84,334)
		($537,491)		$537,491

2013	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($518,780)	-5%	$518,780
Peso denominated liabilities	+5%	50,010	-5%	(50,010)
		($468,770)		$468,770

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, 2014, 2013 and 2012, the Group is subject to externally imposed capital requirements (see Note 4).

26. Financial Instruments

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

	2014	
	Carrying Amount	Fair Value
Financial assets		
Loans and receivables		
Cash and cash equivalents	$12,602,322	$12,602,322
Trade and other receivables	15,586,934	15,586,934
Financial assets at FVPL	701,747	701,747
Amounts owed by related parties	5,123,078	5,123,078
HTM investments	1,181,130	–

(Forward)

	2014	
	Carrying Amount	**Fair Value**
Other current assets		
Rental deposit	**$1,133,929**	**$1,133,929**
Loans to employees	**94,111**	**94,111**
Other noncurrent assets		
Miscellaneous deposits	**167,551**	**$167,551**
	$36,590,812	**$35,408,903**
Financial liabilities		
Other financial liabilities		
Trade and other payables		
Trade payables	**$5,263,140**	**$5,263,140**
Accrued expenses	**1,565,907**	**1,565,907**
Advances from customers	**1,835,464**	**1,835,464**
Derivative liability	**40,836**	**40,836**
Amounts owed to related parties	**470,147**	**470,147**
Long-term debt	**27,164,613**	**27,164,613**
	$36,340,106	**$36,340,106**

	2013	
	Carrying Amount	Fair Value
Financial assets		
Loans and receivables		
Cash and cash equivalents	$7,023,647	$7,023,647
Trade and other receivables	4,060,866	4,060,866
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
Other noncurrent assets		
Miscellaneous deposits	168,776	168,776
	$22,796,214	$22,796,214
Financial liabilities		
Other financial liabilities		
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	9,649,656
	$14,491,955	$14,491,955

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

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables
The carrying amounts approximate fair value since these are mostly short-term in nature.

Amounts owed by and owed to related parties and rental deposits
The carrying amounts approximate the fair value since these are due and demandable.

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

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

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

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 3.63% to 3.70% in 2012.

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

Freestanding derivatives
As of December 31, 2013, the Group has outstanding foreign currency swap contracts with counterparty bank with an aggregate notional amount of $1.2 million and remaining maturities of less than 2 months. The forward rates related to the forward contracts ranged from and from ₱40.70 to ₱40.71 per US$ 1 as at December 31, 2013. The Group recognized derivative liability relating to these contracts amounting to $40,436 and $102,090 as of December 31, 2014 and 2013, respectively.

The movements in fair value changes of all derivative instruments for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
At beginning of year	**($102,090)**	$9,480
Net changes in fair value of derivatives not designated as accounting hedges	–	102,090
Fair value of settled instruments	**61,654**	(9,480)
At end of year	**($40,436)**	($102,090)

The loss from the net fair value changes relating to the foreign currency swap contracts amounting $584,163 in 2013 are included under "Other income (charges) - net" in the consolidated statements of comprehensive income (see Note 21).

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

Only the derivative instruments, which is classified under level 2 is measured and carried at fair value. There were no transfers made in the fair value measurements in 2014 and 2013.

27. Equity

a. Capital stock

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

	2014	2013
Authorized - common shares (₱1 par value)	**400,000,000**	400,000,000
Issued shares		
Beginning	**280,217,656**	194,595,600
Upon incorporation	–	–
Upon initial public offering	–	–
Stock dividend- issued and distributed (see Note 27)	**28,021,763**	85,622,056
Ending	**308,239,419**	280,217,656
Issued - 308,239,419 shares	**$7,203,869**	$6,559,066
Undistributed shares (see Note 26) - 30,823,942 shares	**689,265**	–
	$7,893,134	$6,559,066

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, 2014 and 2013, the Parent Company has a total 18 and 80 number of stockholders, respectively.

b. Retained earnings

The Board of Directors of Cirtek Holdings Philippines Corporation (the "Corporation") in its meeting held today, February 23, 2015, approved the declaration of cash dividend of US Dollar 0.003893 (US$ 0.003893) per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at 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 308,239,416 outstanding shares of stock of the Corporation.

On January 29, 2014, the BOD of the Parent Company declared cash dividend of $1,200,000 or $0.00428 per share to stockholders of record as of February 13, 2014. Also, on May 30, 2014, the BOD of the Parent Company declared cash dividends amounting to $600,000 or $0.00214 per share to stockholders of record as of June 16, 2014.

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

On January 16, 2013, the BOD of the Parent Company declared cash dividends amounting to $1,119,937 ($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.

28. Notes to Statement of Cash Flows

The Group has noncash operating, investing and financing activities representing the transfer of ownership over the assets and liabilities assumed related to the acquisition of REMEC entities, as discussed in Note 4 to the consolidated financial statements. This transaction has resulted to an increase in certain assets and liabilities as enumerated in Note 4.

29. 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, 2014 and 2013 and results of operations for each of the three years in the period ended December 31, 2014.

10701201300 4689

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel (632) 726-0931 to 39 Fax (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Type	Stock Corporation

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

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

(B) Preparation of Report

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

(C) Signature and Filing of the Report

A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.

B. At least one complete copy of the report filed with the Commission shall be **manually** signed.

C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.

D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2012**

2. Exact Name of Registrant as Specified in its Charter ..... **CIRTEK HOLDINGS PHILIPPINES CORPORATION**

3. **116 EAST MAIN AVE., PHASE V, SEZ, LAGUNA TECHNOPARK, BIÑAN, LAGUNA** **4024**
   Address of Principal Office — Postal Code

4. SEC Identification Number ..... **CS2011102137** 5. [redacted] (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number..... **007-979-726**

7. **+632 729-62-05 / +63 49 541-23-17**
   Issuer's Telephone number, including area code

8. .....
   Former name or former address, if changed from the last report

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	7

Actual number of Directors for the year	7

(a) Composition of the Board

Complete the table with information on the Board of Directors:

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

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

Treatment of all shareholders

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

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

Respect for the rights of minority shareholders and of other stakeholders

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

Disclosure duties

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

[1] Reckoned from the election immediately following January 2, 2012.

Board responsibilities

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

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

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

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

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

(ii) Directorship in Other Listed Companies

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

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

(iii) Relationship within the Company and its Group

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

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jerry Liu	Camerton Inc.	Shareholder

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

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

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

(e) Shareholding in the Company

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

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

2) Chairman and CEO

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

Yes ☐ No ■

(b) Roles, Accountabilities and Deliverables

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

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

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

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

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

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

4) Other Executive, Non-Executive and Independent Directors

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

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

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

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

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

	Executive	Non-Executive	Independent Director
Role	He shall supervise and manage the business affairs of the Corporation upon the direction of the Board of Directors and implement the administrative policies of the corporation under his supervision and control	A director's office is one of trust and confidence. He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.	A director's office is one of trust and confidence. He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.
Accountabilities	• He represents the corporation at all functions and proceedings • To execute on behalf of the corporation all	He shall observe the following: • Conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions. • Devote time and attention necessary to properly	

	contracts, agreements and other instruments affecting the interests of the corporation in which will require the approval of the Board of Directors. • To oversee the preparation of the budgets and statements of accounts of the corporation. • To make reports to the Board of Directors. To perform such duties as are incident to his office or are entrusted to him by the Board of Directors	discharge his duties and responsibilities • Act judiciously • Exercise independent judgment. • Have a working knowledge of the statutory and regulatory requirements • Observe confidentiality. • Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment • Prior to assuming office, attend a seminar on corporate governance
Deliverables	He is to initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation	To ensure good governance of the Company, the Board should establish the vision and mission and strategic objectives and key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance

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

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

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

No term limit.

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

(a) Resignation/Death/Removal

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

None

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

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

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

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

		interfere with his exercise of independent judgment in carrying out his responsibilities as a director of the Corporation. • He must have been engaged in or exposed to the business of corporation for at least five (5) years.
b. Re-appointment		
(i) Executive Directors	Same as stated above	Same as stated above
(ii) Non-Executive Directors	Same as stated above	Same as stated above
(iii) Independent Directors	Same as stated above	Same as stated above
c. Permanent Disqualification		
(i) Executive Directors	Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors.	Disqualifications: • Persons who have been convicted by a competent judicial or administrative body of the following: > Any crime involving purchase or sale of securities as defined in Securities Regulation Code. > Any crime arising out of the person's conduct as an underwriter, broker, dealer, futures commission merchant, commodity trading advisor or floor broker. > Any crime arising out of his fiduciary relationship with bank, quasi-bank, trust company, investment house or as an affiliated person of any of them. • Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgment or decree of the Securities and Exchange Commission ("SEC") or any court or other administrative body of competent jurisdiction • Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury.

		• Any person finally found by the SEC or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC, or any rule, regulation or order of the SEC or the BSP. • Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company. • Any person judicially declared to be insolvent. • Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct listed in the foregoing paragraphs. • Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment. • No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Company.
(ii) Non-Executive Directors	Same as stated above	Same as stated above
(iii) Independent Directors	Same as stated above	Disqualification of Independent Director: • He becomes an officer or employee of the corporation where he is such member of the Board of Directors or becomes any of the person enumerated under Section 2 of these By-Laws. • His beneficial security ownership exceeds ten percent (10%) of the

		outstanding capital stock of the Corporation where he is such a director. • Fails, without any justifiable cause, to attend at least fifty percent (50%) of the total number of Board meetings during his incumbency unless such absences are due to grave illness or death of an immediate family. • Such other disqualifications which the Corporation's Manual on Corporate Governance provides.
d. Temporary Disqualification		
(i) Executive Directors	Nomination Committee shall review and evaluate the qualifications of all persons nominated to the Board of Directors. It shall pre-screen the qualifications of all nominees to the Board of Directors	Any of the following shall be a ground for temporary disqualifications of a director: • Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists. • Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election. • Dismissal/ termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity. • Being under preventive suspension by the Company for any reason. • Conviction that has not yet become final referred to in the grounds for

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

Voting Result of the last Annual General Meeting

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

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.
(b) State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

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

B. CODE OF BUSINESS CONDUCT & ETHICS

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

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The personal interest of directors and officers should never prevail over the interests of the company. Directors are required to be loyal to the organization that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Company. They must promote the common interests of all shareholders and the Company without regard to their own personal and selfish interest.	The company shall not tolerate any form/ act of senior management and employees that will compromise the interest of the employer for their personal gains	
(b) Conduct of Business and Fair Dealings	A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his	Standards of fair business, advertising and competition are to be upheld. Appropriate means to safeguard customer information must be available. The following must be observed: • not make false statements against competitors, their products and/or services; • Exercise reasonable and prudent professional judgment when dealing with clients. • deal fairly with the Company's customers,	

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

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

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

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

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

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

The Company conducts periodic compliance assessments.

4) Related Party Transactions

(a) Policies and Procedures

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

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

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

(b) Conflict of Interest

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

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

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

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

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

(ii) Mechanism

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

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

5) Family, Commercial and Contractual Relations

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

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

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

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

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

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

6) Alternative Dispute Resolution

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

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

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

C. BOARD MEETINGS & ATTENDANCE

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

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

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

2) Attendance of Directors

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

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

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

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

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

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

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

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

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

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

(e) Committee Procedures

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

Yes ☐ No ☐

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

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

6) External Advice

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

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

7) Change/s in existing policies

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

Existing Policies	Changes	Reason
No changes in existing policies		

D. REMUNERATION MATTERS

1) Remuneration Process

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

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

instruments		
(6) Others (specify)		

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

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

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

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

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

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

Remuneration Scheme	Date of Stockholders' Approval
See statement above	

3) Aggregate Remuneration

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

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

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

4) Stock Rights, Options and Warrants

(a) Board of Directors

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

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

(b) Amendments of Incentive Programs

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

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

5) Remuneration of Management

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

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

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

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

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

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

2) Committee Members

(a) Audit Committee

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

Disclose the profile or qualifications of the Audit Committee members.

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

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

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

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

The Audit Committee shall have the following responsibilities:

1. *Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;*

2. *Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company, including but not limited to regular receipt from Management of information on risk exposures and risk management activities;*

3. *Perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independent from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;*

4. *Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;*

5. *Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;*

6. *Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;*

7. *Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;*

8. *Review the reports submitted by the internal and external auditors;*

9. *Review the quarterly, semestral and annual financial statements before their submission to the Board, with particular focus on the following matters;*

   i. *Any change in accounting policies and practices;*
   ii. *Major judgment areas;*
   iii. *Significant adjustments resulting from the audit;*
   iv. *Going concern assumptions;*
   v. *Compliance with accounting standards; and*
   vi. *Compliance with tax, legal and regulatory requirements.*

10. *Coordinate, monitor and facilitate compliance with laws, rules and regulations;*

11. *Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report.*

12. *Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.*

13. *The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties; and*

14. *To comply with all the duties and responsibilities prescribed by the SEC under applicable laws, rules and regulations.*

(b) Nomination Committee

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

(c) Remuneration Committee

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

3) Changes in Committee Members

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

Name of Committee	Name	Reason
Executive		
Audit	NO CHANGES	
Nomination		
Remuneration		
Others (specify)		

4) Work Done and Issues Addressed

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

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

5) Committee Program

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

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

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

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

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

2) Risk Policy

   (a) Company

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

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

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

(b) Group

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

Risk Exposure	Risk Management Policy	Objective
	Same as above	

(c) Minority Shareholders

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

Risk to Minority Shareholders

3) Control System Set Up

(a) Company

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

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

(b) Group

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

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

(c) Committee

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

Committee/Unit	Please see discussion on risk management	Details of its Functions

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

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

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

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

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

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

2) Internal Audit

(a) Role, Scope and Internal Audit Function

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

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

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? *Yes*

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? *Yes*

(d) Resignation, Re-assignment and Reasons

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

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

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

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

Progress Against Plans	Internal audits are performed according to schedule
Issues[6]	No issues
Findings[7]	No findings
Examination Trends	No trends

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

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

(f) Audit Control Policies and Procedures

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

Policies & Procedures	Implementation
Company accounting system is a set of records and the procedures and equipment used to perform accounting functions. Manual systems consist of journals and ledgers on paper. Computerized accounting systems consist of accounting software, computer files, and related peripheral equipment such as computer hardware, printers, modems, etc. Regardless of the system, the function of accountants include: (1) recording, classifying, and summarizing measuring economic events; (2) recording, classifying, and summarizing measurements; (3) reporting economic events and interpreting financial statements. Both internal and external users tell accountants of their information needs. The accounting system enables a company's accounting staff to supply relevant accounting information to meet those needs. As internal and external users make decisions that become economic events, the cycle of information, decisions, and economic events begin again.	Fully implemented

[6] "Issues" are compliance matters that arise from adopting different interpretations.
[7] "Findings" are those with concrete basis under the company's policies and rules.

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

(g) Mechanisms and Safeguards

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

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

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

H. ROLE OF STAKEHOLDERS

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

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

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

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

3) Performance-enhancing mechanisms for employee participation.

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

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

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

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

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

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

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

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

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

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

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

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

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

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

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

2) Does the Annual Report disclose the following:

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

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

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee

Sycip Gorres Velayo & Co.,	**Php 550,00.00**	

4) Medium of Communication

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

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

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

6) Company Website

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

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

Corporate website is being upgraded to further enhance contents.

7) **Disclosure of RPT**

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

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

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

J. RIGHTS OF STOCKHOLDERS

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

(a) Quorum

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

Quorum Required	Majority of the number of directors as fixed in the Articles of Incorporation

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

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

(c) Stockholders' Rights

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

Stockholders' Rights under The Corporation Code	**Stockholders' Rights not in The Corporation Code**
NA	NA
NA	NA
NA	NA

Dividends

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

(d) Stockholders' Participation

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

Measures Adopted	Communication Procedure
NA	NA
NA	NA

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution – participation in stockholders' meetings
   b. Authorization of additional shares – participation in stockholders' meetings
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company – participation in stockholders' meetings

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? YES

   a. Date of sending out notices: 3 April 2012

   b. Date of the Annual/Special Stockholders' Meeting: 25 May 2012

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

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

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

(e) Modifications

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

Modifications	Reason for Modification
NA	NA
NA	NA
NA	NA

(f) Stockholders' Attendance

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

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

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

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

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

(g) Proxy Voting Policies

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

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

(h) Sending of Notices

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

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

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

(i) Definitive Information Statements and Management Report

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

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

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

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

2) Treatment of Minority Stockholders

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

Policies	Implementation
NA	NA
NA	NA
NA	NA
NA	NA

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

K. INVESTORS RELATIONS PROGRAM

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

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

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

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

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

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

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

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

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

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

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

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

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

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

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

N. INTERNAL BREACHES AND SANCTIONS

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

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

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of QUEZON CITY JUL 0 1 2013 20__.

SIGNATURES

Jerry Liu
Chairman of the Board

Jerry Liu
Chief Executive Officer

Marion Lorenzo
Independent Director

Ernest Felix Serafin
Independent Director

Anthony Bautista
Compliance Officer

JUL 0 1 2013

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

NAME/NO.	DATE OF ISSUE	PLACE OF ISSUE
JERRY LIU / [illegible]	10/8/12	MFA Manila
ANTHONY ALBERT ANDREW / [illegible]	1/10/12	MFA Manila
MARION LORENZO / [illegible]	8/16/11	DFA Manila
ERNEST FELIX SERAFIN	4/19/10	DFA Manila

ATTY. JOEL G. GONDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 006
COMMISSION EXPIRES DEC. 31, 2014
PTR NO. [illegible], [illegible], Q.C.
IBP NO. [illegible], 1/4/2013, Q.C.
ROLL OF ATTORNEY NO. [illegible]

Doc. No. 10
Page No. 41
Book No. 14
Series of 13

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	0	2	1	3	7

Company Name

CIRTEK HOLDINGS PHILIPPINES CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(63) 49-5412310 to 12	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
18	05/31	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Anthony Buyawe	<as.buyawe@cirtek.ph>	(63) 49-5412310 to 12	

Contact Person's Address

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

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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

We have audited the accompanying consolidated financial statements of Cirtek Holdings Philippines Corporation and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and 2013, 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, 20144, 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.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cirtek Holdings Philippines Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 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. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

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	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$12,602,322**	$7,023,747
Trade and other receivables (Note 6)	**15,586,934**	4,060,866
Inventories (Note 7)	**10,768,681**	7,534,619
Financial asset at fair value through profit or loss (Note 8)	**701,747**	8,055,039
Amounts owed by related parties (Note 6)	**5,123,078**	2,222,415
Held-to-maturity investments (Note 10)	**114,341**	–
Other current assets (Note 9)	**1,871,111**	1,801,286
	46,768,214	30,697,972
Noncurrent assets-held-for-sale (Note 11)	**11,408,611**	–
Total Current Assets	**58,176,825**	30,697,972
Noncurrent Assets		
Property, plant and equipment (Note 11)	**17,015,168**	15,783,581
Held-to-maturity investments (Note 10)	**1,073,789**	–
Deferred income tax asset (Note 22)	**186,579**	83,754
Other noncurrent assets (Note 12)	**962,504**	687,748
Total Noncurrent Assets	**19,238,040**	16,555,083
TOTAL ASSETS	**$77,414,865**	$47,253,055
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**$9,434,272**	$4,383,654
Short-term loan (Note 14)	**2,100,000**	200,000
Long-term debt - current portion and net of deferred financing costs (Note 15)	**3,412,079**	964,977
Amounts owed to related parties (Note 16)	**470,147**	447,420
Deferred revenues	**405,144**	–
Income tax payable	**349,237**	58,210
Provision for warranty	**148,954**	–
Derivative liability (Note 25)	**40,836**	102,090
Total Current Liabilities	**16,360,669**	6,156,351
Noncurrent Liabilities		
Long-term debt - net of current portion and deferred financing costs (Note 15)	**23,752,534**	8,684,679
Retirement benefit obligation (Note 20)	**1,645,787**	1,881,835
Total Noncurrent Liabilities	**25,398,321**	10,566,514
Total Liabilities	**41,758,990**	16,722,865
Equity		
Capital stock (Note 27)	**7,893,134**	6,559,066
Additional paid-in capital	**4,733,511**	4,733,511
Equity reserve	**4,138,375**	4,138,375
Other comprehensive income	**317,[illegible]**	(69,414)
Retained earnings (Note 27)	**18,573,276**	15,165,632
Total Equity	**35,655,875**	30,530,190
TOTAL LIABILITIES AND EQUITY	**$77,414,865**	$47,253,055

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See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2014	2013	2012
NET SALES	**$51,792,081**	$43,984,426	$40,631,136
COST OF SALES (Note 17)	**(44,251,335)**	(35,476,436)	(33,790,977)
GROSS PROFIT	**7,540,746**	8,507,990	6,840,159
OPERATING EXPENSES (Note 18)	**(3,328,456)**	(2,432,700)	(2,378,331)
FINANCIAL INCOME (EXPENSES)			
Interest income	**31,704**	118,370	123,117
Interest expense	**(551,334)**	(403,450)	(182,980)
	(519,630)	(285,080)	(59,863)
OTHER INCOME (CHARGES) (Note 21)	**2,928,008**	(893,555)	160,008
INCOME BEFORE INCOME TAX	**6,620,668**	4,896,655	4,561,973
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 22)			
Current	**202,011**	190,813	215,287
Deferred	**(123,035)**	69,006	(60,479)
	78,976	259,819	154,808
NET INCOME	**6,541,692**	4,636,836	4,407,165
OTHER COMPREHENSIVE INCOME			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on retirement benefit, net of deferred tax	**383,993**	131,779	(98,193)
TOTAL COMPREHENSIVE INCOME	**$6,925,685**	$4,768,615	$4,208,972
Earnings Per Share			
Basic and diluted - as restated (Note 23)	**$0.020**	$0.014	$0.018

See accompanying Notes to Consolidated Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Capital Stock						
	Issued	Undistributed Stock Dividends (Note 7)	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings (Note 7)	Total
Balances at January 1, 2011	$3,720,358	$–	$4,733,511	$4,138,375	$–	$11,530,296	$24,122,540
Net income for the year	–	–	–	–	–	4,407,165	4,407,165
Other comprehensive loss	–	–	–	–	(198,193)	–	(198,193)
Total comprehensive income (loss)	–	–	–	–	(198,193)	4,407,165	4,208,972
Cash dividends declared at $0.004933 per share (Note 7)	–	–	–	–	–	(800,000)	(800,000)
Stock dividends (Note 7)	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
Balances at January 1, 2013	$4,460,896	$950,847	$4,733,511	$4,138,375	($198,193)	$13,446,076	$27,531,512
Net income for the year	–	–	–	–	–	4,636,836	4,636,836
Other comprehensive income	–	–	–	–	131,779	–	131,779
Total comprehensive income	–	–	–	–	131,779	4,636,836	4,768,615
Issuance of undistributed stock dividends	950,847	(950,847)	–	–	–	–	–
Cash dividends declared at $0.004796 per share (Note 7)	–	–	–	–	–	(1,119,937)	(1,119,937)
Stock dividends during the year (Note 7)	1,147,323	–	–	–	–	(1,147,323)	–
Cash dividends declared at $0.00232 per share (Note 7)		–	–	–	–	(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
Balances at January 1, 2014	$6,559,066	$–	$4,733,511	$4,138,375	($66,414)	$15,165,652	$30,530,190
Net income for the year	–	–	–	–	–	6,541,692	6,541,692
Other comprehensive income	–	–	–	–	383,993	–	383,993
Total comprehensive income	–	–	–	–	383,993	6,541,692	6,925,685
Cash dividends declared at $ 0.004282 per share (Note 7)	–	–	–	–	–	(1,200,000)	(1,200,000)
Stock dividends during the year (Note 7)	644,803	689,265	–	–	–	(1,334,068)	–
Cash dividends declared at $ 0.002141 per share (Note 7)	–	–	–	–	–	(600,000)	(600,000)
Balances at December 31, 2014	$7,203,869	$689,265	$4,733,511	$4,138,375	$317,579	$18,573,276	$35,655,875

See accompanying Notes to Consolidated Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$6,620,668	$4,896,655	$4,561,973
Adjustments for:			
Depreciation and amortization (Note 11)	2,900,520	2,309,774	3,037,385
Interest expense (Notes 14 and 15)	551,334	403,450	182,980
Excess of the fair value of net assets acquired over the aggregate consideration transferred (Note 4)	(2,573,837)	–	–
Net unrealized foreign exchange losses (gains)	(61,768)	22,879	149,221
Interest income (Note 5)	(31,704)	(118,370)	(123,117)
Change in fair value of financial asset at FVPL (Note 8)	–	(33,472)	–
Mark-to-market loss on forward contracts	–	102,090	9,480
Operating income before working capital changes	7,405,213	7,583,006	7,817,922
Decrease (increase) in:			
Inventories	3,414,890	41,504	(2,232,592)
Trade and other receivables	(6,642,564)	1,004,963	(403,415)
Other current assets	107,565	(59,910)	(82,560)
Increase (decrease) in:			
Trade and other payables	(201,197)	(100,125)	(718,351)
Retirement benefit obligation (Note 20)	(242,529)	262,301	215,925
Net cash generated from operations	3,841,378	8,731,739	4,596,929
Interest received	31,704	70,446	117,436
Income taxes paid	(22,004)	(197,685)	(185,346)
Net cash flows from operating activities	3,851,078	8,604,500	4,529,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from (investment in) financial asset at FVPL	7,353,292	(8,021,567)	–
Acquisitions of property, plant and equipment (Note 11)	(1,860,794)	(3,474,172)	(3,366,817)
Net payment for the acquisition of REMEC entities	(7,173,926)	–	–
Decrease (increase) in other noncurrent assets	39,231	–	(163,006)
Net cash flows used in investing activities	(1,642,197)	(11,495,739)	(3,529,823)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loan (Note 14)	3,300,000	400,000	1,500,000
Long-term debt (Note 15)	10,000,000	–	10,000,000
Transaction costs from availment of long-term debt (Note 15)	–	–	(152,650)
Payments of:			
Cash dividends	(1,800,000)	(1,769,937)	(3,608,003)
Interest (Note 13)	(415,198)	(317,774)	(100,504)
Long-term loan	(3,495,131)	(613,200)	
Short-term loan (Note 4)	(1,100,000)	(200,000)	(1,500,000)
Net cash settlement on forward contracts	–	(482,073)	–
Net movement in amounts owed by and owed to related parties	(3,169,115)	(115,742)	42,637
Net cash flows from (used in) financing activities	3,320,556	(3,098,726)	6,181,480
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,529,437	(5,989,965)	7,180,676
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	49,138	(97,250)	(47,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,023,747	13,110,962	5,978,249
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	$12,602,322	$7,023,747	$13,110,962

See accompanying Notes to Consolidated Financial Statements.

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1. Corporate Information

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

On March 1, 2011, the Parent Company acquired from Cirtek Holdings, Inc. (CHI) 155,511,952 common shares of Cirtek Electronics Corporation (CEC), and 50,000 shares of Cirtek Electronics International Corporation (CEIC), representing 100% of the outstanding capital stock of both companies.

The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method. Accordingly, all financial information for the periods prior to the effectivity of the combination were restated as if the Parent Company, CEC and CEIC (collectively referred to as "the Group") had always been combined but depending on whether these entities were under common control for the periods presented.

The Group is primarily engaged in the manufacture and sale of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services. CEC manufactures standard integrated circuits, discrete, hybrid and potential new packages and provides complete turnkey solutions that include wafer probing, wafer back grinding, assembly and packaging and final testing of semiconductor devices with majority of its client base located in United States of America (USA). CEIC sells integrated circuits principally in the USA and assigns the production of the same to CEC.

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

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

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

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

Issuance of financial statements
The consolidated financial statements of the Group as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2015.

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

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2014 and 2013 (see Notes 1 and 4):

	Country of Incorporation	Percentage of Ownership			
			2014		2013
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	-	100	-
CEIC	British Virgin Islands (BVI)	100	-	100	-
RBWHI	British Virgin Islands	-	100	-	-
RBWII - Philippine Branch	Philippines	-	100	-	-
RBWRP	Philippines	-	100	-	-

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

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

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

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

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

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

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

Common control business combinations

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

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

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

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

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

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

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendments must be applied retrospectively, subject to certain transition relief.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

- Annual Improvements to PFRSs (2010-2012 cycle)
  In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables

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

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

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

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

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

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

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the

interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

- Annual Improvements to PFRSs (2010-2012 cycle)
  The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
    This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
    - A performance condition must contain a service condition
    - A performance target must be met while the counterparty is rendering service
    - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
    - A performance condition may be a market or non-market condition
    - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
    The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    The amendments are applied retrospectively and clarify that:
    - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
    - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

- Annual Improvements to PFRSs (2011-2013 cycle)
  The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
    The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
    - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
    - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
    The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

  - PAS 40, *Investment Property*
    The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

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

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

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

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

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

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

  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits - regional market issue regarding discount rate*
    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and* PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As at December 31, 2014 and 2013, the Group carries a financial asset at FVPL.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statements of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

As of December 31, 2014 and 2013, the Group has designated as loans and receivables its cash and cash equivalents, trade and other receivables, amounts owed by related parties, and refundable deposits (reported as part of 'Other noncurrent assets' in the consolidated balance sheet).

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

As of December 31, 2014, the Group has HTM investments but none in 2013.

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, 2014 and 2013, the Group has no AFS financial assets.

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

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

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

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.
Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

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

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

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

As at December 31, 2014 and 2013, the Group's derivative liability is classified as a financial liability at FVPL. The Group does not have a financial liability held for trading and has not designated any financial liabilities as at FVPL.

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

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

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

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

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

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

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

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

Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

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

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

Financial assets carried at cost

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Noncurrent Asset Held for Sale

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

Borrowing Costs

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

Intangible Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, returns, rebates and other sales taxes or duties. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

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

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

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

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

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised and extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

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

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

Foreign Currency Transactions
The consolidated financial statements are presented in US dollars, which is the functional and presentation currency of all companies in the Group. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

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

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

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits from MCIT and unused NOLCO can be utilized, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

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

Determining functional currency

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

Deferred tax liability on a subsidiary's undistributed profits

CEIC has an undistributed profit as of December 31, 2014 and 2013 that becomes taxable when distributed to the Parent Company. PAS 12, *Income Taxes,* requires the recognition of deferred tax liability on taxable temporary difference associated with investments in subsidiaries and interests in joint ventures, unless the Group has the ability to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group has made a judgment that it is probable that the temporary difference will not reverse in the foreseeable future based on management's plan that the Group will not be declaring dividends from CEIC in the foreseeable future. Accordingly, no deferred tax liability has been recognized on the undistributed profits of CEIC.

Operating lease commitments - Group as lessee

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

Estimation Uncertainty

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

Estimating useful lives of property, plant and equipment

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

Depreciation charged in the consolidated statement of comprehensive income amounted to $2,900,520, $2,309,774, and $3,037,385 in 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the Group's property, plant and equipment have a net book value of $17,015,168 and $15,783,581, respectively (see Note 11).

Assessing impairment of nonfinancial assets
The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

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

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

	2014	2013
Advances to suppliers, prepaid expense and others under other current assets (see Note 9)	**$462,683**	$598,944
Property, plant and equipment (see Note 11)	**17,015,168**	15,783,581
Product development cost, advances to suppliers included under other noncurrent assets (see Note 12)	**789,426**	513,405

No impairment loss was recognized as of December 31, 2014, 2013 and 2012.

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

The estimated allowance for inventory obsolescence is $641,583 and $96,885 for 2014 and 2013, respectively. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to $10,768,681 and $7,534,619 as of December 31, 2014 and 2013, respectively (see Note 7).

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

allowance for impairment would increase the Group's recorded expenses and decrease current assets.

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

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

In 2014 and 2013, the Group has not provided any impairment allowance since receivables were assessed to be fully collectible. The carrying amount of trade and other receivables, loans to employees and amounts owed by related parties amounted to $20,804,123 and $6,417,353 as of December 31, 2014 and 2013, respectively (see Notes 6 and 16).

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

The Group's retirement benefit cost amounted to $242,529, $262,301 and $215,925 in 2014, 2013 and 2012, respectively. As of December 31, 2014 and 2013, the Group's retirement benefit obligation amounted to $1,645,354 and $1,881,835, respectively (see Note 20).

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

As of December 31, 2014 and 2013, the software costs have been fully amortized (see Note 2). The carrying of capitalized development cost amounted $560,932 and $469,965 as of December 31, 2014 and 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 $389,743 and $439,219 as of December 31, 2014 and 2013, respectively (see Note 22).

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

The provision for warranty amounted to $0.5 million as of December 31, 2014.

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 2014 and 2013 (see Note 28).

4. Business Combination

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

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

Balance Sheet	July 30, 2014
Assets	
Current Assets	
Cash and cash equivalent	$291,179
Trade and other receivables	4,883,504
Inventories - net	6,648,952
Prepayments and other current assets	177,390
Noncurrent assets held for sale	13,695,428
Noncurrent Assets	
Held-to-maturity investment	1,188,130
Other noncurrent assets	311,951
Retirement benefit asset	2,036
Total Assets	**$27,198,570**
Liabilities	
Current Liabilities	
Trade and other payables	$5,251,815
Current portion of interest - bearing loans	4,512,142
Income tax payable	110,930
Deferred revenues	404,741
Noncurrent Liabilities	
Interest-bearing loans - net of current portion	6,500,000
Provision for warranty	380,000
Total Liabilities	**117,159,628**
Fair value of identifiable Net asset	$16,038,942

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

Results of Operation	For the period August 01, 2014 to December 31, 2014
Net sales	$11,729,914
Cost of sales	(9,824,009)
Gross income	1,905,905
Operating expenses	(690,228)
Financial income - net	133,749
Income before income tax	1,349,426
Provision for income tax	53,829
Net income	1,295,597
Fair value of asset acquired	$10,038,942
Cash consideration transferred	7,465,105
Excess of the fair value of net assets acquired over the aggregate consideration transferred	$2,573,837

The negative goodwill represents the contemplated discount granted by the seller as part of the terms of the SPA.

5. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**$12,598,873**	$7,020,304
Short-term deposits	**3,449**	3,443
	$12,602,322	$7,023,747

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

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

6. Trade and Other Receivables

	2014	2013
Trade	**$10,365,745**	$4,054,520
Others (see Notes 9 and 10)	**5,221,189**	6,345
	$15,586,934	$4,060,866

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

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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

	2014	2013
At Cost:		
Raw materials	**$4,820,159**	$2,241,400
Finished goods	**889,141**	1,182,590
Work in process	**4,082,702**	3,115,904
Spare parts	**510,748**	670,508
	10,302,750	7,210,402
At NRV:		
Supplies and others	**465,931**	324,217
Total inventories at lower of cost and NRV	**$10,768,681**	$7,534,619

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

The cost of supplies and other inventories amounted to $419,974 and $421,102, respectively.

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

	2014	2013
Balances at beginning of year	**$96,885**	$96,885
Addition (see Note 17)	**544,698**	–
Balances at end of year	**$641,583**	$96,885

The cost of inventories recognized as cost of sales amounted to $28,352,936, $22,954,231 and $20,668,115 in 2014, 2013 and 2012, respectively (see Note 17).

8. Financial Asset at Fair Value through Profit or Loss

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

	2014	2013
Balances at beginning of year	**$8,055,039**	$–
Initial investment	**–**	8,021,567
Disposal during the year	**(7,538,277)**	–
Fair value gains (see Note 20)	**184,985**	33,472
Balance at end of year	**$701,747**	$8,055,039

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

9. Other Current Assets

	2014	2013
Rental deposit (see Note 16)	**$1,133,929**	$1,131,399
Advances to suppliers	**235,742**	235,709
Security deposit	**180,387**	–
Prepaid expenses	**104,532**	–
Loans to employees	**94,111**	134,072
Others	**122,410**	300,106
	$1,871,111	$1,801,286

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

10. Held-to-Maturity Investments

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

Current portion	**$114,341**
Noncurrent portion	**1,073,789**
	$1,188,130

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

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

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

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11. Property, Plant and Equipment

December 31, 2014

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

December 31, 2013

	Land	Machinery and Equipment	Buildings and Improvement	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	**$45,031,098**
Additions	–	2,466,200	–	950,470	57,502	–	**3,474,172**
Disposals	–	–	–	–	–	–	**–**
Ending balances	–	36,453,977	5,649,376	5,489,442	826,271	86,204	**48,505,270**
Accumulated Depreciation:	–						
Beginning balances	–	23,617,503	3,475,650	2,591,241	664,349	63,172	**30,411,915**
Depreciation	–	1,269,119	242,168	723,288	70,264	4,935	**2,309,774**
Disposals	–	–	–	–	–	–	**–**
Ending balances	–	24,886,622	3,717,818	3,314,529	734,613	68,107	**32,721,689**
Net Book Values	**$ –**	**$11,567,355**	**$1,931,558**	**$2,174,913**	**$91,658**	**$18,097**	**$15,783,581**

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

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

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12. Other Noncurrent Assets

	2014	2013
Product development costs	**$560,932**	$469,965
Miscellaneous deposits	**167,551**	168,776
Advances to suppliers	**101,940**	43,440
Note receivable	**87,373**	–
Others	**44,708**	5,567
	$962,504	$687,748

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, 2014 and 2013, 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, 2014 and 2013, amortization of product development cost was charged to the consolidated statements of comprehensive income for the development costs incurred in 2013 and 2012, respectively, as these are substantially available for use.

13. Trade and Other Payables

	2014	2013
Trade	**$5,263,140**	$3,487,478
Accruals:		
Payroll	**878,519**	56,554
Utilities	**381,567**	416,540
Interest	**206,336**	70,200
Others	**99,485**	42,072
Advances from customers	**1,835,464**	153,544
Others	**769761**	157,266
	$9,434,272	$4,383,654

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.

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14. Short-term loan

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

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. The amount was fully paid in 2014.

15. Long-term debt

	2014	2013
5-year corporate note-secured	**$8,750,000**	$9,750,000
Additions:		
Additional availment during the year	**10,000,000**	–
Due to business combination	**8,479,933**	–
Less deferred financing costs	**65,320**	100,344
	27,164,613	9,649,656
Less current portion - net of deferred financing costs	**3,412,079**	964,977
	$23,752,534	$8,684,679

CHPC

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

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date is payable in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date.

Prior to the maturity date, the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment.

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

- debt to equity ratio shall not at any time exceed 2:1
- debt service coverage ratio shall not exceed 1:5

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

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

Total interest expense charged to the consolidated statements of comprehensive income amounted to $551,334, $403,450 and $182,980 in 2014, 2013 and 2012, respectively.

Unamortized deferred financing cost reduced the carrying amount of long-term debt by $65,320 and $100,344 as of December 31, 2014 and 2013, respectively.

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

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

16. Related Party Disclosures

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

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

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

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

a. Amounts owed to related parties

	Nature of Transactions	Amount 2014	Amount 2013	Outstanding Balances 2014	Outstanding Balances 2013	Terms	Conditions
Other related parties							
CLC	Rental	**$10,630**	($18,586)	**$420,679**	$410,049	Due and demandable; non-interest bearing	Unsecured
Cayon	Rental	**12,097**	10,427	**49,468**	37,371	Due and demandable; non-interest bearing	Unsecured
		$22,727	($8,159)	**$470,147**	$447,420		

b. Amounts owed by related parties

	Nature of Transactions	Volume 2014	Volume 2013	Outstanding Balances 2014	Outstanding Balances 2013	Terms	Conditions
Other related parties							
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**	206,284	Due and demandable; non-interest bearing	Unsecured; no impairment
Camerton, Inc.	Reimbursement of expenses	**–**	(353)	**33,161**	33,161	Due and demandable; non-interest bearing	Unsecured; no impairment
Jerry Liu	Reimbursement of expenses	**2,900,663**	173,714	**3,074,377**	173,714	Due and demandable; non-interest bearing	Unsecured; no impairment
		$2,900,663	$179,724	**$5,123,078**	$2,222,415		

c. Rental deposit

	Amount 2014	Amount 2013	Outstanding Balances (see Note 9) 2014	Outstanding Balances (see Note 9) 2013	Terms	Conditions
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 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, 2014 and 2013 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, 2014 and 2013 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 $14,434, $16,314 and $41,162 in 2014, 2013 and 2012, 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 $13,114, $14,823 and $14,329 in 2014, 2013 and 2012, respectively.

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

	2014	2013
Within one year	**$28,821**	$28,821
After one year but not more than five years	**144,103**	144,103
More than five years	**–**	28,821
	$172,924	$201,745

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

	2014	2013	2012
Salaries and wages	**$953,896**	$538,662	$499,977
Employee benefits	**194,985**	157,984	160,046
	$1,148,881	$696,646	$660,023

17. Cost of Sales

	2014	2013	2012
Raw materials, spare parts, supplies and other inventories used (see Note 7)	**$28,352,936**	$22,954,231	$20,668,115
Salaries, wages and employees' benefits (see Notes 16 and 20)	**7,821,742**	7,125,555	6,959,222
Utilities	**3,556,257**	3,409,564	3,120,341
Depreciation and amortization (see Note 11)	**2,838,858**	2,260,022	2,985,708
Inward freight and duties	**738,501**	708,910	819,971
Change in finished goods and work in process inventories (see Note 7)	**430,359**	(1,359,760)	(1,084,142)
Others	**512,682**	378,443	321,762
	$44,251,335	$35,476,436	$33,790,977

18. Operating expense

	2014	2013	2012
Salaries, wages and employees' benefits (see Notes 16 and 20)	**$1,594,075**	$1,036,979	$1,032,961
Utilities	**290,845**	286,836	287,189
Transportation and travel	**284,608**	259,143	248,340
Professional fees	**132,542**	206,825	239,732
Entertainment, amusement and recreation	**168,981**	248,958	182,575
Commissions	**159,935**	155,117	158,463
Depreciation (see Note 11)	**61,662**	49,753	51,677
Taxes and licenses	**47,792**	43,783	33,490
Office supplies	**27,815**	17,372	24,428
Insurance premiums	**31,191**	2,711	3,440
Provision for inventory obsolescence (see Note 7)	**–**	–	65,421
Others	**529,010**	125,223	50,615
	$3,328,456	$2,432,700	$2,378,331

19. Salaries, Wages and Employees' Benefits

	2014	2013	2012
Salaries and wages	**$7,771,711**	$6,331,838	$6,211,521
Other employees' benefits	**1,401,577**	1,568,395	1,564,737
Retirement costs (see Note 20)	**242,529**	262,301	215,925
	$9,415,817	$8,162,534	$7,992,183

20. Retirement Benefit Obligation

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

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

	2014	2013	2012 (As restated)
Current service cost	**$140,308**	$147,287	$114,309
Interest cost	**102,221**	115,014	101,616
Expense recognized during plan year	**$242,529**	$262,301	$215,925

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

	2014	2013
Present value of the obligation	**$1,780,923**	$1,951,134
Fair value of plan assets	**(135,136)**	(69,299)
Retirement benefit obligation	**$1,645,787**	$1,881,835

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

	2014	2013
Opening defined benefit obligation	**$1,951,134**	$2,006,592
Current service cost	**2,045,396**	147,287
Interest cost	**106,005**	115,014
Translation difference	**(13,000)**	(155,146)
Actuarial gain on obligation	**(403,924)**	(162,613)
Benefits paid	**(1,905,088)**	–
Closing present value of defined obligation	**$1,780,923**	$1,951,134

	2014	2013
Opening fair value of plan assets	**$69,299**	$–
Effect of business combination	**1,878,867**	–
Interest income included in net interest costs	**3,784**	478
Contributions paid	**62,764**	96,292
Actual return on plan assets excluding interest	**279**	(24,262)
Translation difference	**25,231**	(3,209)
Benefits paid	**(1,905,088)**	–
Closing fair value of plan assets	**$135,136**	$69,299

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

	2014	2013	2012
Discount rate	**4.64%**	5.46%	6.90%
Salary increase rate	**2.00%**	4.00%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2014, assuming all other assumptions were held constant:

	Increase/(Decrease) (In percentage point)	Effect on Present Value of Defined Benefit Obligation
Discount rate	+1%	($198,263)
	-1%	238,321
Future salary increase rate	+1%	$231,782
	-1%	(196,346)

The Company has contributed $62,764 and $96,292 to the plan assets in 2014 and in 2013. 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, 2014:

1 year or less	$55,447
More than 1 year to 5 years	545,277
More than 5 years	7,575,156

21. Other Income (Charges)

	2014	2013	2012
Excess of the fair value of net assets acquired over the aggregate consideration transferred (see Note 4)	**$2,573,837**	$–	$–
Sale of scrap	**259,819**	111,660	244,045
Foreign exchange losses - net	**151,402**	(390,651)	(4,940)
Mark-to-market loss	–	(584,163)	(81,770)
Others - net	**(57,050)**	(30,401)	2,673
	$2,928,008	($893,555)	$160,008

22. Income Taxes

CEC

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

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

RBWII – Philippine Branch

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

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

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

	Years Ended December 31		
	2014	2013	2012
Current	**$202,011**	$190,813	$215,287
Deferred	**(123,035)**	69,006	(60,479)
	$78,976	$259,819	$154,808

The provision for current income tax for the year ended December 31, 2014, 2013 and 2012 pertains to the special rate of 5% on taxable gross income of CEC, RBWII – Philippine Branch and RBWRP.

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		
	2014	2013	2012
Income tax at applicable statutory rate	**$304,717**	$244,832	$221,341
Additions to (reduction in) income tax:			
Nontaxable income	**(128,692)**	–	–
Change in unrecognized deferred income tax assets	**(60,008)**	104,722	58,853
Taxable income subject to Income Tax Holiday	**(53,519)**	(71,835)	(67,578)
Nondeductible entertainment and representation expense	**136**	11,825	2,908
Non-deductible expenses	**12,935**	3,438	7,355
Translation difference and others	**3,690**	(14,659)	(50,174)
Interest income subject to final tax	**(283)**	(18,504)	(17,897)
	$78,976	$259,819	$154,808

In 2014, 2013 and 2012, the CEC has availed an income tax holiday of certain product lines. Total gross income for the registered activities of CEC amounted to $1,070,379, $1,481,216 and $1,351,556 in 2014, 2013 and 2012, respectively.

Scrap sales amounted to $257,647, $139,701 and $244,045 in 2014, 2013 and 2012, 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:

	2014	2013
Deferred tax assets		
Accrued retirement	**$85,643**	$86,075
Allowance for impairment loss	**127,849**	–
Deferred tax liability		
Effect of foreign exchange differences between tax base and financial reporting base	**(10,015)**	(5,633)
	203,477	80,442
Deferred income tax asset (liability) related to retirement benefit obligation recognized under other comprehensive income	**(16,898)**	3,312
	$186,579	$83,754

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 $1,264,037 and $1,464,063 in 2014 and 2013, 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:

	2014	2013
NOLCO	**$375,377**	$239,426
Unrealized mark-to-market loss	–	18,376
Unrealized foreign exchange loss	**3,834**	181,417
	$379,211	$439,219

As of December 31, 2014 and 2013, 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	–	–	248,001
2013	2014-2016	585,191	–	–	585,191
2014	2015-2017	418,065	–	–	418,065
		$1,286,363	$–	$35,106	$1,251,257

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

23. Earnings Per Share (EPS)

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

	2014	2013	2012
Net income	**$6,541,692**	$4,636,836	$4,407,165
Weighted average number of common shares outstanding	**336,261,197**	336,261,197	240,368,810
Basic and diluted EPS	**$0.020**	$0.014	$0.018

As of December 31, 2014, 2013 and 2012, the Parent Company has no dilutive potential common shares.

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

24. Operating Segment

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

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

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

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

	2014	2013	2012
Discrete	**$10,800**	$11,506	$9,757
Multichip	**9,629**	8,878	9,081
Integrated Circuits (IC)	**8,556**	9,903	7,223
Odr	**8,003**	–	–
New Products	**5,221**	6,704	5,476
Quad-Flat No-Leads (QFN)	**3,848**	5,097	6,950
Hermetics	**2,008**	1,896	2,144
Bri	**1,534**	–	–
Ems	**1,034**	–	–
Irfu	**1,009**	–	–
Cou	**150**	–	–
	$51,792	$43,984	$40,631

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):

	2014	2013	2012
Major Customer A	**$10,778**	$–	$–
Major Customer B	**10,495**	9,543	5,142
Major Customer C	**4,809**	5,486	4,351

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):

	2014	2013	2012
Asia	**$23,880**	$11,158	$7,687
Europe	**17,238**	18,478	18,608
USA	**10,674**	14,348	14,336
	$51,792	$43,984	$40,631

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

25. Financial Risk Management Objectives and Policies

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

Risk Management Structure

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

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

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

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

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

	2014	2013
Cash and cash equivalents*	**$12,601,553**	$7,023,647
Trade and other receivables	**15,586,934**	4,060,866
Financial assets at FVPL	**701,747**	8,055,039
Amounts owed by related parties	**5,123,078**	2,222,415
Other current assets		
Rental deposit	**1,133,929**	1,131,399
Loans to employees	**94,111**	134,072
Held-to-maturity (HTM) investments	**1,181,130**	–
Other noncurrent assets		
Miscellaneous deposits	**167,551**	168,776
Total credit risk exposure	**$35,590,033**	$22,796,214

**Excluding cash on hand*

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

December 31, 2014

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

**Excluding cash on hand*

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*	$7,023,647	$–	$–	$–	$–	$–	$7,023,647
Trade and other receivables	3,168,356	775,341	87,894	2,500	26,775		4,060,866
Financial assets at FVPL	8,055,039	–	–	–	–		8,055,039
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	168,776	–	–	–	–	–	168,776
	$18,415,818	$775,341	$87,894	$2,500	$3,514,662	$–	$22,796,215

**Excluding cash on hand*

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

December 31, 2014

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents *	$12,601,553	$–	$–	$12,601,553
Trade and other receivables	14,042,759	32,854	–	14,075,613
Financial assets at FVPL	701,747	–	–	701,747
HTM investments	1,181,130	–	–	1,181,130
Other noncurrent assets				
Miscellaneous deposits	167,551	–	–	167,551
	$27,513,610	$32,854	$–	$27,546,464

** excluding cash on hand*

December 31, 2013

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents (excluding cash on hand)	$7,023,647	$–	$–	$7,023,747
Trade and other receivables	3,139,082	29,274	–	3,168,357
Financial assets at FVPL	8,055,039	–	–	8,055,039
Other noncurrent assets				
Miscellaneous deposits	168,776	–	–	168,776
	$18,386,544	$29,274	$–	$18,415,818

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, 2014

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

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	–	4,060,866	–	–	4,060,866
Amounts owed by related parties	2,222,415	–	–		2,222,415
	$9,246,162	$4,060,866	$–	$–	$13,307,028
Financial Liabilities					
Trade and other payables					
Trade payables	$3,487,478	$–	$–	$–	$3,487,478
Accrued expenses	–	567,374	–	–	567,374
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
	$3,934,898	$2,004,139	$4,045,825	$5,298,300	$15,283,162

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:

2014

	Original Currency in Php[1]	**Total Dollar Equivalent**
Financial assets		
Cash and cash equivalents	35,143,622	**$785,860**
Trade and other receivables	281,617	**6,343**
Financial asset at FVPL	31,382,139	**701,747**
Amounts owed by related parties	18,371,609	**413,822**
Other current assets	144,774,223	**3,176,289**
Other non-current assets	15,560,561	**353,455**
Total financial assets	**245,513,771**	**5,437,516**
Financial liabilities		
Trade and other payables	76,880,509	**1,725,970**
Amounts owed to related parties	21,024,919	**470,146**
Total financial liabilities	**97,905,428**	**2,196,116**
Net financial assets	**147,608,343**	**$3,241,400**

[1] 1 = $.0223

2013

	Original Currency in Php[1]	**Total Dollar Equivalent**
Financial assets		
Cash and cash equivalents	10,909,363	**$245,735**
Trade and other receivables	281,617	**6,343**
Financial asset at FVPL	357,603,488	**8,055,039**
Amounts owed by related parties	18,371,609	**413,822**
Other current assets	66,231,987	**1,270,472**
Other non-current assets	7,739,588	**174,335**
Total financial assets	**461,137,652**	**10,165,746**
Financial liabilities		
Trade and other payables	24,589,954	**553,890**
Amounts owed to related parties	19,863,213	**447,420**
Total financial liabilities	**44,453,167**	**1,001,310**
Net financial assets	**416,684,485**	**$9,164,436**

[1] 1 = $.0225

2014	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($518,780)	-5%	$621,825
Peso denominated liabilities	+5%	84,334	-5%	(84,334)
		($537,491)		$537,491

2013	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($518,780)	-5%	$518,780
Peso denominated liabilities	+5%	50,010	-5%	(50,010)
		($468,770)		$468,770

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, 2014, 2013 and 2012, the Group is subject to externally imposed capital requirements (see Note 4).

26. Financial Instruments

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

	2014	
	Carrying Amount	Fair Value
Financial assets		
Loans and receivables		
Cash and cash equivalents	$12,602,322	$12,602,322
Trade and other receivables	15,586,934	15,586,934
Financial assets at FVPL	701,747	701,747
Amounts owed by related parties	5,123,078	5,123,078
HTM investments	1,181,130	–

(Forward)

	2014	
	Carrying Amount	**Fair Value**
Other current assets		
Rental deposit	**$1,133,929**	**$1,133,929**
Loans to employees	**94,111**	**94,111**
Other noncurrent assets		
Miscellaneous deposits	**167,551**	**$167,551**
	$36,590,812	**$35,408,903**
Financial liabilities		
Other financial liabilities		
Trade and other payables		
Trade payables	**$5,263,140**	**$5,263,140**
Accrued expenses	**1,565,907**	**1,565,907**
Advances from customers	**1,835,464**	**1,835,464**
Derivative liability	**40,836**	**40,836**
Amounts owed to related parties	**470,147**	**470,147**
Long-term debt	**27,164,613**	**27,164,613**
	$36,340,106	**$36,340,106**

	2013	
	Carrying Amount	Fair Value
Financial assets		
Loans and receivables		
Cash and cash equivalents	$7,023,647	$7,023,647
Trade and other receivables	4,060,866	4,060,866
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
Other noncurrent assets		
Miscellaneous deposits	168,776	168,776
	$22,796,214	$22,796,214
Financial liabilities		
Other financial liabilities		
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	9,649,656
	$14,491,955	$14,491,955

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

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables
The carrying amounts approximate fair value since these are mostly short-term in nature.

Amounts owed by and owed to related parties and rental deposits
The carrying amounts approximate the fair value since these are due and demandable.

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

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

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

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 3.63% to 3.70% in 2012.

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

Freestanding derivatives
As of December 31, 2013, the Group has outstanding foreign currency swap contracts with counterparty bank with an aggregate notional amount of $1.2 million and remaining maturities of less than 2 months. The forward rates related to the forward contracts ranged from and from ₱40.70 to ₱40.71 per US$ 1 as at December 31, 2013. The Group recognized derivative liability relating to these contracts amounting to $40,436 and $102,090 as of December 31, 2014 and 2013, respectively.

The movements in fair value changes of all derivative instruments for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
At beginning of year	**($102,090)**	$9,480
Net changes in fair value of derivatives not designated as accounting hedges	–	102,090
Fair value of settled instruments	**61,654**	(9,480)
At end of year	**($40,436)**	($102,090)

The loss from the net fair value changes relating to the foreign currency swap contracts amounting $584,163 in 2013 are included under "Other income (charges) - net" in the consolidated statements of comprehensive income (see Note 21).

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

Only the derivative instruments, which is classified under level 2 is measured and carried at fair value. There were no transfers made in the fair value measurements in 2014 and 2013.

27. Equity

a. Capital stock

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

	2014	2013
Authorized - common shares (₱1 par value)	**400,000,000**	400,000,000
Issued shares		
Beginning	**280,217,656**	194,595,600
Upon incorporation	–	–
Upon initial public offering	–	–
Stock dividend- issued and distributed (see Note 27)	**28,021,763**	85,622,056
Ending	**308,239,419**	280,217,656
Issued - 308,239,419 shares	**$7,203,869**	$6,559,066
Undistributed shares (see Note 26) - 30,823,942 shares	**689,265**	–
	$7,893,134	$6,559,066

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, 2014 and 2013, the Parent Company has a total 18 and 80 number of stockholders, respectively.

b. Retained earnings

The Board of Directors of Cirtek Holdings Philippines Corporation (the "Corporation") in its meeting held today, February 23, 2015, approved the declaration of cash dividend of US Dollar 0.003893 (US$ 0.003893) per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at 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 308,239,416 outstanding shares of stock of the Corporation.

On January 29, 2014, the BOD of the Parent Company declared cash dividend of $1,200,000 or $0.00428 per share to stockholders of record as of February 13, 2014. Also, on May 30, 2014, the BOD of the Parent Company declared cash dividends amounting to $600,000 or $0.00214 per share to stockholders of record as of June 16, 2014.

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

On January 16, 2013, the BOD of the Parent Company declared cash dividends amounting to $1,119,937 ($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.

28. Notes to Statement of Cash Flows

The Group has noncash operating, investing and financing activities representing the transfer of ownership over the assets and liabilities assumed related to the acquisition of REMEC entities, as discussed in Note 4 to the consolidated financial statements. This transaction has resulted to an increase in certain assets and liabilities as enumerated in Note 4.

29. 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, 2014 and 2013 and results of operations for each of the three years in the period ended December 31, 2014.

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SyCip Gorres Velayo & Co.
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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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 the accompanying Consolidated Financial Statements of Cirtek Holdings Philippines Corporation and Subsidiaries (the Group) as at and for the year ended December 31, 2014 in accordance with Philippine Standards on Auditing and have issued our report thereon dated April 10, 2015. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules I to IV and A to H listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015

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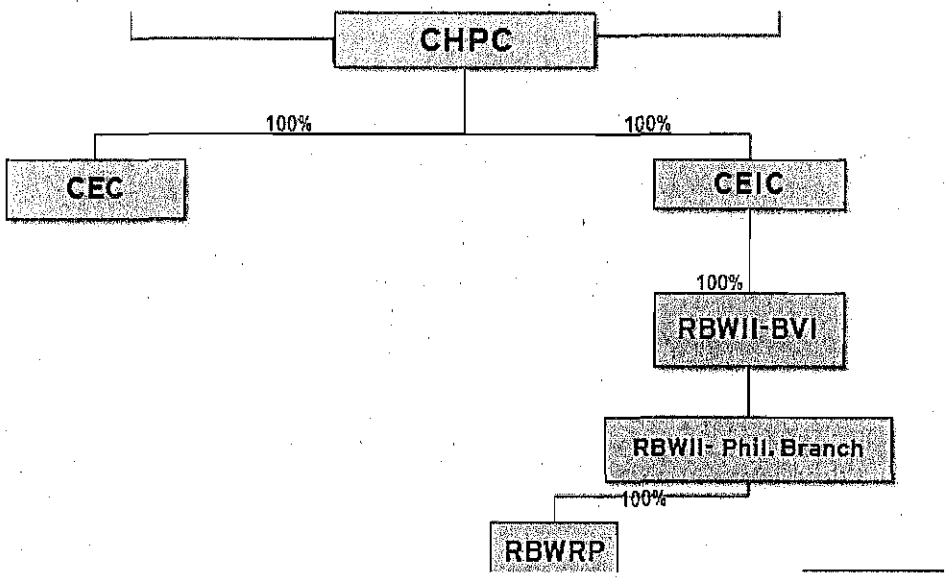
RYAN D. FLORENDO
RCO - Santa Rosa City

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES

DECEMBER 31, 2014



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule	Contents
Index to the Consolidated Financial Statements	
I	Map Showing the Relationships Between and Among the Companies in the Group, its Ultimate Parent Company and Co-subsidiaries
II	Schedule of All Effective Standards and Interpretations Under Philippine Financial Reporting Standards
III	Reconciliation of Retained Earnings Available for Dividend Declaration
IV	Financial Soundness Indicators
Supplementary Schedules	
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related parties)
C	Amounts Receivable from Related Parties and Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Long-Term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	$12,602,322	$12,602,322	–
Trade and other receivables	N/A	15,586,934	15,586,934	–
Financial asset at fair value through profit or loss	N/A	701,747	701,747	–
Amounts owed by related parties	N/A	5,123,078	5,123,078	–
Other current assets				
Rental deposit	N/A	1,133,929	1,133,929	–
Loan to employees	N/A	94,111	94,111	–
Held-to-maturity investments	N/A	1,188,130	1,188,130	–
Other noncurrent assets				
Miscellaneous deposits	N/A	167,551	167,551	–
		$36,597,802	$36,597,802	$–

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Advances to officers and employees	$134,072	$139,122	($179,083)	$94,111	$–	$94,111
	$134,072	$139,122	($179,083)	$94,111	$–	$94,111

Amounts owed by Related Parties

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holding, Inc.	$1,809,256	$–	$–	$1,809,256	$–	$1,809,256
Carmerton, Inc.	33,161	–	–	33,161	–	33,161
Cayon Holdings, Inc.	206,284	–	–	206,284	–	206,284
Jerry Liu	173,714	2,900,663	–	3,074,377	–	3,074,377
	$2,222,415	$2,900,663	$–	$5,123,078	$–	$5,123,078

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2014

Receivables from related parties which are eliminated during the consolidation

(under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Cirtek Electronics Corporation	$37,663,571	$5,459,191	$–	$–	$43,122,762	$–	$43,122,762
Cirtek Electronics International Corporation	–	9,000,000	–	–	9,000,000	–	9,000,000
Cirtek Advanced Technology Solution Inc.	–	1,499,468	–	–	1,499,468	–	1,499,468
Cirtek Holdings Philippines Corporation	12,366,567	11,376,956	–	–	23,743,523	–	23,743,523
	$50,030,138	$27,335,615	$–	$–	$77,365,753	$–	$77,365,753

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Electronics Corporation	$37,663,571	$5,459,191	$–	$–	$43,122,762	$–	$43,122,762
Cirtek Electronics International Corporation	–	9,000,000	–	–	9,000,000	–	9,000,000
Cirtek Advanced Technology Solution Inc.	–	1,499,468	–	–	1,499,468	–	1,499,468
Cirtek Holdings Philippines Corporation	12,366,567	11,376,956	–	–	23,743,523	–	23,743,523
	$50,030,138	$27,335,615	$–	$–	$77,365,753	$–	$77,365,753

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS

AS AT DECEMBER 31, 2014

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Advances to supplier	$43,440	$58,500	$–	$–	$–	$101,940
Development Cost	469,965	163,907	(72,940)	–	–	560,932
Notes Receivable	–	–	–	–	87,373	87,373
Miscellaneous Deposit	168,776	–	–	–	(1,266)	167,510
	$682,181	$222,407	($72,940)	$–	$86,107	$917,755

SCHEDULE E

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT

AS AT DECEMBER 31, 2014

Long-term Debt			
Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes Payable	$18,684,680	$967,861	$17,716,819
Interest-bearing loan	8,479,933	2,444,218	6,035,715
	$1,820,353,996	$328,514,924	$1,491,839,072

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS AT DECEMBER 31, 2014

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

SCHEDULE G

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS

AS AT DECEMBER 31, 2014

Guarantees of Securities of Other Issuers

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

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK

AS AT DECEMBER 31, 2014

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

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				✓
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

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

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiatives*	See footnote.*		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	See footnote.*		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	See footnote.*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions*	See footnote.*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	See footnote.*		

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

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

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

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

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

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

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

Unappropriated Retained Earnings, beginning		$35,762
Adjustments in previous year's Reconciliation:		
Less: Non-actual/unrealized income net of tax		
Unappropriated Retained Earnings, as adjusted, beginning		35,762
Net Income based on the face of AFS	$3,169,977	
Add: Non-actual losses	–	
Less: Non-actual/unrealized income net of tax	–	
Net Income Actual/Realized		3,169,977
Transfer from Appropriated to Unappropriated Retained Earnings		–
Unappropriated Retained Earnings, as adjusted, ending		–
Less: Dividends declared in 2014		
Cash dividends declared	(1,800,000)	
Stock dividends declared	(1,334,068)	(3,134,068)
Retained earnings available for dividend declaration		$71,671

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2014

Ratios	Formula	31-Dec-14	31-Dec-13
(i) Current Ratio	Current Assets/Current Liabilities	**3.56**	4.99
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	**0.76**	0.32
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	**0.41**	0.09
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.17**	1.55
(iv) Interest Cover Ratio	EBITDA/Interest Expense	**(13.43)**	(18.80)
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.15**	0.19
Net Profit Margin	Net Income/Revenues	**0.13**	0.11
EBITDA Margin	EBITDA/Revenues	**0.14**	0.17
Return on Assets	Net Income/Total Assets	**0.08**	0.10
Return on Equity	Net Income/Total Equity	**0.18**	0.15

*EBITDA = Operating income before working capital changes

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 1 0 2 1 3 7

Company Name

CIRTEK HOLDINGS PHILIPPINES CORPORATION

Principal Office (No./Street/Barangay/City/Town/Province)

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	(63) 49-5412310 to 12	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
18	05/31	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Anthony Buyawe	<as.buyawe@cirtek.ph>	(63) 49-5412310 to 12	

Contact Person's Address

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
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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 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, 2014 and 2013, 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.

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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, 2014 and 2013, 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.

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Partner
CPA Certificate No. 69099
SEC Accreditation No. 0111-AR-3 (Group A),
January 18, 2013, valid until January 17, 2016
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BIR Accreditation No. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015

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Electronic Records Management Division
ICTD
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CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY BALANCE SHEETS

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash (Note 4)	**$10,035,366**	$41,703
Amounts owed by related parties (Note 9)	**38,181,732**	23,251,376
Financial asset at fair value through profit and loss (Note 6)	**–**	4,220,621
Dividends receivable	**–**	1,150,000
Other current assets	**8,597**	5,000
Total Current Assets	**49,225,695**	28,668,700
Noncurrent Asset		
Investments in subsidiaries (Note 5)	**5,981,499**	5,981,499
TOTAL ASSETS	**$55,207,194**	$34,650,199
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses (Note 7)	**$80,675**	$94,383
Current portion of long-term debt - net of deferred financing cost (Note 8)	**967,861**	964,977
Amounts owed to related parties (Note 9)	**23,743,523**	13,516,567
Derivative liability (Note 14)	**–**	61,254
Total Current Liabilities	**24,792,059**	14,637,181
Noncurrent Liability		
Long-term debt - net of current portion and deferred financing cost (Note 8)	**17,716,819**	8,684,679
Equity		
Capital stock (Note 12)	**7,893,134**	6,559,066
Additional paid-in capital (Note 12)	**4,733,511**	4,733,511
Retained earnings	**71,671**	35,762
Total Equity	**12,698,316**	11,328,339
TOTAL LIABILITIES AND EQUITY	**$55,207,194**	$34,650,199

See accompanying Notes to Parent Company Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
DIVIDEND INCOME	**$3,600,000**	$4,100,000
GENERAL AND ADMINISTRATIVE EXPENSES (Note 10)	**94,244**	167,665
FINANCIAL INCOME (EXPENSES)		
Interest income (Note 4)	**818**	46,003
Interest expense (Note 8)	**(369,698)**	(400,030)
	(368,880)	(354,027)
OTHER INCOME (CHARGES) - Net		
Foreign exchange gains (losses) - net	**84,738**	(365,922)
Bank charges	**(145)**	(213)
Mark-to-market loss on foreign currency forwards (Note 14)	**–**	(300,055)
Others	**(51,492)**	(6,173)
	33,101	(672,363)
NET INCOME	**3,169,977**	2,905,945
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**$3,169,977**	$2,905,945

See accompanying Notes to Parent Company Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Capital Stock				
	Issued	Undistributed Stock Dividends (Note 12)	Additional Paid-in Capital	Retained Earnings	Total
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
Net income for the year	–	–	–	3,169,977	3,169,977
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	3,169,977	3,169,977
Cash dividends declared (Note 12)	–	–	–	(1,800,000)	(1,800,000)
Stock dividends declared (Note 12)	644,803	689,265	–	(1,334,068)	–
Balances at December 31, 2014	**$7,203,869**	**$689,265**	**$4,733,511**	**$71,671**	**$12,698,316**

See accompanying Notes to Parent Company Financial Statements.

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CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**$3,169,977**	$2,905,945
Adjustments for:		
Dividend income	**(3,600,000)**	(4,100,000)
Unrealized foreign exchange loss (gain)	**(12,776)**	365,922
Interest expense	**369,698**	400,030
Interest income	**(818)**	(46,003)
Unrealized mark-to-market loss	**–**	61,254
Operating loss before working capital changes	**(73,919)**	(412,852)
Decrease (increase) in:		
Amounts owed by related parties (Note 9)	**(15,930,086)**	(8,987,114)
Other current assets	**(3,597)**	(3,133)
Increase (decrease) in:		
Accrued expenses	**(13,708)**	(24,016)
Derivative liability	**(61,254)**	(9,480)
Net cash used in operations	**(16,082,564)**	(449,481)
Dividends received	**4,750,000**	2,950,000
Interest received	**818**	46,003
Net cash flows used in operating activities	**(11,331,746)**	(6,416,576)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of (addition in) investment in financial asset at FVPL	**4,220,621**	(4,220,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in amounts owed to related parties (Note 7)	**10,226,956**	9,490,014
Increase (decrease) in long-term debt (Note 8)	**9,035,024**	(213,170)
Payments of cash dividends:	**(1,800,000)**	(2,361,934)
Interest paid (Note 8)	**(369,968)**	(400,030)
Net cash flows from financing activities	**17,092,282**	6,514,880
NET INCREASE (DECREASE) IN CASH	**9,980,887**	(4,122,317)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**12,776**	(365,922)
CASH AND AT BEGINNING OF YEAR	**41,703**	4,553,958
CASH AT END OF YEAR (Note 4)	**$10,035,366**	$41,703

See accompanying Notes to Parent Company Financial Statements.

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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, 2014 and 2013. The accounting and administrative function of the Company are handled by CEC.

On July 23, 2014, CEIC entered into a Share Purchase Agreement (SPA) with Remec Broadband Wireless Holdings, Inc (RBWHI; the Seller) and Remec Broadband Wireless International, Inc. (the Branch) wherein RBWHI agreed to sell all of its issued and outstanding ordinary share (5,000 ordinary shares at US$ 1.00 each at par value) to CEIC.

The closing date of the transactions is effective July 30, 2014.

The financial statements of the Parent Company as at and for the year ended December 31, 2014 and 2013 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2015.

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) interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures
The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014. However, they do not impact the annual financial statements of the Company.

The nature and impact of each new standard and amendment is described below:

New and Amended Standards and Interpretations and Improved PFRS Adopted in Calendar Year 2014
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended standards and Philippine Interpretations of IFRIC interpretations and improved PFRS which the Company has adopted starting January 1, 2014. Unless otherwise indicated, the adoption did not have any significant impact to the financial statements of the Parent Company.

- Amendments to PFRS 10, PFRS 12 and PAS 27, *Investment Entities*
  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. It is not expected that this amendment would be relevant to the Parent Company since it would not qualify as an investment entity under PFRS 10.

- 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 Parent 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.

- 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. 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 Company's financial position or performance.

- 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. The Parent Company does not have derivatives during the current period. However, these amendments would be considered for future novations.

- Philippine Interpretation IFRIC 21, *Levies*
  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. The Parent Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, Fair Value Measurement. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Company's financial statements.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Parent Company's financial statements as it is not a first time PFRS adopter.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014
The Parent 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 Company's financial statements.

- PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement.* PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of

principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss.

Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the 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.

Effective in 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Parent Company. They include:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, Financial Instruments, if adopted early). The Parent Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Company. They include:

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective in 2016

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company given that the Parent Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or

after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company as the Parent Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Parent company financial statements.

- PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that

rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Parent Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Parent Company. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

- PFRS 9, Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA. The adoption of PFRS 9 is not expected to have any significant impact on the Company's financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 is not expected to have any significant impact on the Parent company's financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to 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
Cash includes cash on hand and in banks.

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 statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Parent Company carries financial asset at FVPL as of December 31, 2013 while nil as of December 31, 2014.

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 statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recognized as "Interest income" in the parent company statement of comprehensive income. Assets in this category are included in 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 statement 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 statement 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, 2014, the Parent Company has no derivative liability.

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 sheet.

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 statement 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 statement 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 statement 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.

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.

Retained Earnings
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 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.

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 statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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, 2014 and 2013, 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, 2014 and 2013.

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 14.

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 2014 and 2013.

4. Cash

The Parent Company has cash in banks amounting to $10,035,366 and $41,703 as at December 31, 2014 and 2013, respectively. Cash in banks earn interest at floating rates based on daily bank deposit rates.

Interest income earned from cash amounted to $818 in 2014 and $46,003 in 2013.

5. Investments in Subsidiaries

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 as of December 31 follows:

	2014	2013
CEC	**$2,990,749**	$2,990,749
CEIC	**2,990,750**	2,990,750
	$5,981,499	$5,981,499

CEC manufactures standard integrated circuits, discrete, hybrid and potential new packages and provides complete turnkey solutions that include wafer probing, wafer back grinding, assembly and packaging and final testing of semiconductor devices. CEIC sells integrated circuits principally in the USA and assigns the production of the same to CEC.

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, 2014 and 2013 is as follows:

	2014	2013
Beginning balance	**$4,220,621**	$–
Acquisition during the year	**–**	$4,199,002
Fair value gains	**119,673**	21,619
Disposal	**(4,340,294)**	–
Balance at end of the year	**$–**	$4,220,621

Fair value measurements have been determined directly by reference to published prices quoted in the active market.

7. Accrued Expenses

	2014	2013
Accrued interest	**$67,375**	$70,200
Others	**13,300**	24,183
	$80,675	$94,383

8. Long-term Debt

	2014	2013
5-year corporate note-secured	**$8,750,000**	$9,750,000
Availments during the year	**10,000,000**	–
Less deferred financing costs	**65,320**	100,344
	18,684,680	9,649,656
Less current portion - net of deferred financing costs	**967,861**	964,977
	$17,716,819	$8,684,679

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 movement of deferred financing cost is as follows:

	2014	2013
Unamortized deferred financing cost at issue date	**$100,344**	$137,174
Amortization of deferred financing cost	**35,023**	36,830
Unamortized deferred financing cost at year end	**$65,320**	$100,344

On December 18, 2014, 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 bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the 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, provided that each such date shall coincide with an Interest Payment Date, and that the last installment shall be in an amount sufficient to fully pay the Loan.

Prior to the maturity date, the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate.

Under this agreement, the Company has to maintain the following financial ratios:

- 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, 2014 and 2013.

Total interest expense charged to the Parent Company statements of comprehensive income amounted to $369,698 in 2014 and $ 400,030 in 2013.

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 Parent 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
		2014	2013	**2014**	2013		
Subsidiaries							
CEC	Working capital advances	**$6,930,356**	$8,987,115	**$28,372,476**	$21,442,120	Due and demandable; non-interest bearing	Unsecured, no impairment
CEIC	Working capital advances	**9,000,000**	–	**9,000,000**	–	Due and demandable; non-interest bearing	Unsecured, no impairment
Other related party							
CHI	Result of assignments and settlement in 2011	**–**	–	**1,809,256**	1,809,256	Due and demandable; non-interest bearing	Unsecured, no impairment
		$15,930,356	$8,987,115	**$39,181,732**	$23,251,376		

b. Amounts owed to related parties

	Nature of the transaction	Amount		Outstanding Balances		Terms	Conditions
		2014	2013	**2014**	2013		
Subsidiaries							
CEC	Rental of office space	**$215**	$207	**$714**	$499	Due and demandable; non- interest bearing	Unsecured
	Payments and reimbursement of expenses made in behalf of CHPC	**10,226,741**	9,489,809	**21,402,944**	11,176,203	Due and demandable; non-interest bearing	Unsecured
CEIC	Result of assignments and settlement in 2011; payment	**–**	–	**2,339,865**	2,339,865	Due and demandable; non-interest bearing	Unsecured
		$10,226,956	$9,490,016	**$23,743,523.00**	$13,516,567		

The amount owed by CHI as of December 31, 2014 and 2013 pertains to the remaining balance of receivable as a result of the assignments and set-off agreements undertaken by the Group as part of corporate restructuring in relation to the IPO of the Parent Company.

10. General and Administrative Expenses

	2014	2013
Professional fees	**$40,288**	$103,464
Advertising	**28,997**	29,229
Taxes and licenses	**19,955**	29,337
Office supplies	**1,913**	440
Rent	**215**	217
Others	**2,876**	4,978
	$94,244	$167,665

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:

	2014	2013
Income tax at statutory rate	**$950,993**	$871,784
Additions to (reduction in) income tax:		
Dividend income	**(1,080,000)**	(1,230,000)
Change in unrecognized deferred income tax assets	**129,253**	368,228
Interest income subject to final tax	**(283)**	(17,251)
Nondeductible expense	**37**	7,239
	$–	$–

The Parent Company has temporary difference pertaining to unrealized market loss and NOLCO amounting to $1,982,484 and $1,091,464 in 2014 and 2013, respectively. The deferred income tax asset was not recognized in the parent company balance sheet since 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:

	2014	2013
NOLCO	**$594,745**	$309,063
Unrealized mark-to-market loss	–	18,376
	$594,745	$327,439

As of December 31, 2014 and 2013, 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
2014	2015-2018	952,273	–	–	952,273
		$1,982,484	**$–**	**$–**	**$1,982,484**

12. Equity

a. Capital Stock

The roll-forward of the capital stock of the Parent Company follows:

	2014	2013
Authorized - common shares (1 par value)	**400,000,000**	400,000,000
Issued		
Beginning	**280,217,656**	194,595,600
Stock dividend-issued and distributed (see Note 12b)	**28,021,265**	85,622,056
Ending	**308,238,921**	280,217,654
Issued - shares	**$7,203,869**	$6,559,066
Undistributed shares	**689,265**	–
	$7,893,134	$6,559,066

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 parent company balance sheet.

As of December 31, 2014 and 2013, the Parent Company has a total 18 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.

On January 29, 2014, the BOD of the Parent Company declared cash dividend of $1,200,000 or $0.00428 per share to stockholders of record as of February 13, 2014. Also, on May 30, 2014, the BOD of the Parent Company declared cash dividends amounting to $600,000 or $0.00214 per share to stockholders of record as of June 16, 2014.

In addition to the cash dividends, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting dated July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014 and payment date of August 20, 2014.

The Board of Directors of Cirtek Holdings Philippines Corporation (the "Corporation") in its meeting held today, February 23, 2015, approved the declaration of cash dividend of US Dollar 0.003893 (US$ 0.003893) per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at 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 308,239,416 outstanding shares of stock of the Corporation.

13. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash in banks. The main purpose of these financial instruments is to support the Parent Company's 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, 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:

	2014	2013
Cash	**$10,035,366**	$41,703
Financial asset at FVPL	–	4,220,621
Amounts owed by related parties	**38,531,732**	23,251,376
Total credit risk exposure	**$48,567,098**	$27,513,700

The aging analyses per class of financial assets follow:

December 31, 2014

		Past due but not impaired				
	Neither past due nor impaired	**< 30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Total**
Cash	**$10,035,366**	**$–**	**$–**	**$–**	**$–**	**$10,035,366**
Financial asset at FVPL	**–**	**–**	**–**	**–**	**–**	**–**
Amounts owed by related parties	**38,531,732**	**–**	**–**	**–**	**–**	**38,531,732**
	$48,567,098	**$–**	**$–**	**$–**	**$–**	**$48,567,098**

December 31, 2013

		Past due but not impaired				
	Neither past due nor impaired	**< 30 days**	**30 - 60 days**	**60 - 90 days**	**> 90 days**	**Total**
Cash	$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

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, 2014

	Neither past due nor impaired			
	High grade	**Medium grade**	**Low grade**	**Total**
Cash	**$10,035,366**	**$–**	**$–**	**$10,035,366**
Financial asset at FVPL	**–**	**–**	**–**	**–**
Amounts owed by related parties	**38,531,732**	**–**	**–**	**38,531,732**
	$48,567,098	**$–**	**$–**	**$48,567,098**

December 31, 2013

	Neither past due nor impaired			
	High grade	**Medium grade**	**Low grade**	**Total**
Cash	$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

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, 2014

	On Demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial assets					
Cash	**$10,035,366**	**$–**	**$–**	**$–**	**$10,035,366**
Amounts owed by related parties	**38,531,732**	**–**	**–**	**–**	**$38,531,732**
	$48,567,098	**$–**	**$–**	**$–**	**$48,567,098**
Financial liabilities					
Amounts owed to related parties	**$23,743,523**	**$–**	**$–**	**$–**	**$23,743,523**
Accrued expenses*	**80,532**	**–**	**–**	**–**	**80,532**
Long-term debt**	**–**	**1,297,675**	**18,064,450**	**–**	**19,344,125**
Derivative liability	**–**	**–**	**–**	**–**	**–**
	$23,824,055	**$1,297,675**	**$18,064,450**	**–**	**$43,168,180**

**Excluding statutory liabilities*
***Includes future interest payments*

December 31, 2013

	On Demand	Less than 1 year	1 to 2 years	3 to 5 years	Total
Financial assets					
Cash	$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
	$31,734,321	$–	$–	$–	$31,734,321
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	9,649,656
Derivative liability	–	9,480	–	–	9,480
	$13,610,847	$1,344,155	$4,045,825	$5,298,300	$24,299,127

**Excluding statutory liabilities*
***Includes future interest payments*

Foreign currency risk
The Parent Company uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements, primarily in Philippine Peso currency. The Parent Company follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Parent Company's income before income tax as of December 31:

2014	**Foreign Currency appreciates by**	**Effect on Income Before Tax**	**Foreign Currency depreciates by**	**Effect on Income Before tax**
Peso denominated assets	+5%	($242,308)	-5%	($242,308)
Peso denominated liabilities	+5%	62,838	-5%	62,838
		($179,470)		$179,470

2013	Foreign Currency appreciates by	Effect on Income Before Tax	Foreign Currency depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($621,825)	-5%	$621,825
Peso denominated liabilities	+5%	84,334	-5%	(84,334)
		($537,491)		$537,491

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, 2014, 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, 2014

	Carrying Amount	Fair Value
Financial assets		
Cash	**$10,035,366**	**$10,035,366**
Amounts owed by related parties	**39,181,732**	**39,181,732**
	$49,217,098	**$49,217,098**
Financial liabilities		
Other financial liabilities		
Amounts owed to related parties	**$23,743,523**	**$23,743,523**
Long-term debt	**18,684,680**	**18,684,680**
	$42,428,203	**$42,428,203**

December 31, 2013

	Carrying Amount	Fair Value
Financial assets		
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
Financial liabilities		
Other financial liabilities		
Amounts owed to related parties	$13,516,567	$13,516,567
Long-term debt	9,649,655	9,712,634
Financial Liability at FVPL		
Derivative liability	61,254	61,254
	$23,227,476	$23,290,455

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 2014 and 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, the Parent Company has outstanding foreign currency swap contracts with counterparty bank with an aggregate notional amount $750,000, 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. The Parent Company recognized derivative liability relating to these contracts amounting to $61,254 as of December 31, 2013.

As of December 31, 2014, the Parent Company has no derivative liability.

The loss from the net fair value changes relating to the forward contracts amounting to $61,254 in 2013 are included under "Mark-to-market loss" in the parent company statements of comprehensive 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 2014 and 2013.

15. Events After the Reporting Period

The Board of Directors of Cirtek Holdings Philippines Corporation (the "Corporation") in its meeting held today, February 23, 2015, approved the declaration of cash dividend of US Dollar 0.003893 (US$ 0.003893) per share, payable on March 27, 2015 to stockholders of record as of March 10, 2015. The cash dividend shall be paid in Philippine Peso at 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 308,239,416 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 2014:

Other Taxes and Licenses

Taxes and licenses, local and national, include licenses and permit fees for 2014:

Documentary stamp taxes	₱140,109
License and permit fees	746,582
	₱8,86,691

Withholding Taxes

Expanded withholding taxes	₱355,601

SGV
Building a better working world

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Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

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 financial statements of Cirtek Holdings Philippines Corporation as at and for the years then ended December 31, 2014 and 2013 and have issued our report thereon dated April 10, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of all the effective standards and interpretations reconciliation of retained earnings available for dividend declaration are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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. 08-001998-43-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 4751254, January 5, 2015, Makati City

April 10, 2015

BIR - RDO - 57
COLLECTION SECTION
RECEIVED
APR 15 2015
RYAN D. FLORENDO
RCO - Santa Rosa City

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, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				✓
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 7	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments			✓
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments *	See footnote.*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	See footnote.*		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	See footnote.*		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	See footnote.*		
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	See footnote.*		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiatives*	See footnote.*		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	See footnote.*		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	See footnote.*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits			✓
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions*	See footnote.*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	See footnote.*		

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*	See footnote.*		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	See footnote.*		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 39	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	See footnote. *		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2–Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19–The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*	See footnote. *		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Standards and interpretations which will become effective subsequent to December 31, 2014.*

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2014

Unappropriated Retained Earnings, beginning		**₱35,762**
Adjustments in previous year's Reconciliation:		
Less: Non-actual/unrealized income net of tax		
Unappropriated Retained Earnings, as adjusted, beginning		**35,762**
Net Income based on the face of AFS	**3,169,977**	
Add: Non-actual losses	–	
Less: Non-actual/unrealized income net of tax	–	
Net Income Actual/Realized		**3,169,977**
Transfer from Appropriated to Unappropriated Retained Earnings		–
Unappropriated Retained Earnings, as adjusted, ending		–
Less: Dividends declared in 2014		
Cash dividends declared	**(1,800,000)**	
Stock dividends declared	**(1,334,068)**	**(3,134,068)**
Retained earnings available for dividend declaration		**₱71,671**