C	S	2	0	1	1	0	2	1	3	7	

S.E.C. Registration Number

CIRTEK HOLDINGS
PHILIPPINES
CORPORATION

(Company's Full Name)

116 EAST MAIN AVE
PHASE V SEZ LAGUNA
TECHNOPARK BINAN
LAGUNA

CHRISTIANNE GRACE F. SALONGA
Contact Person

8308000
Company Telephone Number

1	2		3	1

Calendar Year

SEC FORM 20-IS
DEFINITIVE INFORMATION STATEMENT

FORM TYPE

Month Day

Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks- pls. Use black ink for scanning purposes

CIRTEK Holdings Philippines Corporation

NOTICE OF THE ANNUAL MEETING OF THE STOCKHOLDERS OF CIRTEK HOLDINGS PHILIPPINES CORPORATION

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that **CIRTEK HOLDINGS PHILIPPINES CORPORATION** will hold its Annual Meeting of Stockholders (the "**Annual Meeting**") on **Friday, 26 May 2017, at 10:30 a.m.** at the, **Paseo Premiere Hotel, Sta. Rosa Business Park, Laguna,** Philippines.

The Agenda of the Annual Meeting is as follows:

1. Call to order
2. Certification of service of notice and existence of quorum
3. Approval of the Minutes of the 2016 Annual Stockholders' Meeting held on 27 May 2016
4. President's Report
5. Presentation and approval of the Audited Financial Statements for the fiscal year ended December 31, 2016
6. Ratification of all acts of the Board of Directors and Management
7. Election of 9 directors (including 2 independent directors)
8. Appointment of External Auditors
9. Approval of the following resolutions in connection with increasing the authorized capital stock of the Corporation: (i) increase in common shares from Five Hundred Twenty Million Pesos (PhP520,000,000.00) to One Billion Four Hundred Million Pesos (PhP1,400,000,000) worth of common shares with a par value of One Peso (PhP1.00) per share, increase in preferred shares from Forty Million Pesos (PhP40,000,000.00) to One Hundred Forty Million Pesos (PhP140,000,000) preferred shares with a par value of Ten Centavos (PhP.10) per share, and creation of new preferred shares amounting to Four Hundred Sixty Million Pesos (PhP460,000,000) preferred shares with a par value of One Peso (PhP1.00) per share; (ii) delegation to the Board of Directors of the power and authority to implement the proposed increase in the authorized capital stock of the Corporation; (iii) delegation to the Board of Directors of the authority to fix the terms and conditions of the new preferred shares as they may be issued in tranches and series; and (iv) delegation to the Board of Directors of the authority to file such applications and submit such documents with the Securities and Exchange Commission and other government agencies, as may be necessary to increase the authorize capital stock of the Corporation and amend the articles of incorporation of the Corporation
10. Other business as may properly come before the meeting; and
11. Adjournment.

CIRTEK
Holdings Philippines Corporation

The Board of Directors has fixed **27 April 2017** as the record date for determining the stockholders entitled to notice of, and to vote at the Annual Meeting. Only holders of shares of stock as of the record date will be entitled to vote at the Annual Meeting. The stock and transfer books of the Company will be closed 20 business days prior to the meeting.

IF YOU DO NOT EXPECT TO ATTEND THE ANNUAL MEETING, YOU MAY EXECUTE AND RETURN THE PROXY FORM TO THE OFFICE OF THE CORPORATION AT **116 EAST MAIN AVENUE, PHASE V-SEZ, LAGUNA TECHNOPARK, BIÑAN, LAGUNA, 4024**. THE DEADLINE FOR THE SUBMISSION OF PROXIES IS ON **16 May 2017, 10:00 A.M.**

PROXY VALIDATION WILL BE ON **17 May 2017, 10:00 A.M.** AT **116 EAST MAIN AVENUE, PHASE V-SEZ, LAGUNA TECHNOPARK, BIÑAN, LAGUNA, 4024.**

On the day of the meeting, you or your duly designated proxy are hereby required to bring this Notice and any form of identification such as driver's license, passport, company I.D., voter's I.D., or TIN Card to facilitate registration. Registration shall start at 10:00 a.m. and will close at 10:30 a.m.

TADEO F. HILADO
Corporate Secretary

CIRTEK HOLDINGS PHILIPPINES CORPORATION

STOCKHOLDER PROXY
(Proxy solicitation is being made by and on behalf of the Company)

The undersigned hereby appoints the Chairman of the Board of **CIRTEK HOLDINGS PHILIPPINES CORPORATION** (the "Company"), with full power of substitution and delegation, as the proxy of the undersigned, to represent and vote all of the shares of common stock of the undersigned in the books of the Company for all matters to be taken up at all meetings of the Stockholders of the Company, including the Annual Stockholders' Meeting to be held on 26 May 2017 and at any and all adjournments or postponements thereof, as fully and for all intents and purposes, as the undersigned might or could do if present and acting in person, and hereby ratifies and confirms any and all actions taken on matters which may properly come before said meeting or any adjournment thereof.

In case of absence of the Chairman of the Board and any substitute proxy designated by him at any meeting of stockholders, the undersigned hereby grants to the designated Chairman of the meeting of Stockholders chosen in accordance with the Company's By-Laws, full power and authority to act as alternate proxy of the undersigned, for the same purposes specified in the preceding paragraphs.

This Proxy shall continue to be in full force and effect for a period of FIVE (5) years from the date hereof, unless withdrawn by written notice delivered to the Corporate Secretary of the Company, but shall not apply in instances wherein the undersigned personally attends the meeting.

IN WITNESS WHEREOF, the undersigned has executed this Proxy this ____ day of ___________.

____
(SIGNATURE OVER NAME OF STOCKHOLDER
OR AUTHORIZED SIGNATORY)

Address: _________________________
____

Date: _________________________

==

STOCKHOLDERS' INSTRUCTIONS TO PROXY FOR THE **26 May 2017**
ANNUAL STOCKHOLDERS' MEETING

The Stockholder may provide his/herinstructions to the Proxy here. Should the Stockholder opt not to give instructions, the Stockholder authorizes the Proxy to vote according to the recommendation of Management:

1. Approval of the Minutes of the 2016 Annual Stockholders' Meeting held on 27 May 2016

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

2. Approval of the Audited Financial Statements for the fiscal year ended 31 December 2016

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

3. Ratification of all acts of the Board of Directors and Management

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

4. Approval of the Appointment of Sycip Gorres Velayo & Co. as External Auditor of the Company for 2017

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

5. Approval of the increase in authorized capital stock, including the creation of a new class of preferred shares, and delegation to the Board of Directors of the power and authority to implement such increase in authorized capital stock, and the power and authority to fix the terms and conditions of the new class of preferred shares

☐ FOR ☐ AGAINST ☐ ABSTAIN

6. Election of NINE (9) Directors including at least TWO (2) Independent Directors

The nominees for election as directors/independent directors are:

1. Jerry Liu 2. Roberto Juanchito T. Dispo 3. Anthony S. Buyawe 4. Justin Liu	____ ____ ____ ____	5. Michael Stephen Liu 6. Brian Gregory Liu 7. Ernest Fritz Server (*Independent Director*) 8. Hector Villanueva (*Independent Director/Regular Director*) 9. Eduardo Lizares (*Independent Director/Regular Director*)	____ ____ ____ ____ ____
☐ FOR ALL ☐ WITHHOLD FOR ALL	☐ EXCEPTION:____________________		

Instructions:

1. The Stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided. If the Stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided beside each nominee's name.
2. The total number of votes which a stockholder may cast is equal to nine (9) times the number of shares of common stock held as of the Record Date.

GENERAL INFORMATION AND INSTRUCTIONS

1. Solicitation Information

Solicitation of proxies for the meetings of stockholders is being made by and on behalf of the Company.

The cost and expenditures incidental to the proxy solicitation will be borne by the Company.

2. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company or nominee for election as director/independent director or officer of the Company has any substantial interest, directly and indirectly, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of the Stockholders, other than election to office

No director has informed the Company in writing that he intends to oppose any action to be taken at the Annual Stockholders Meeting of the Company.

3. Submission of Proxy

a. The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at 116 East Main Avenue, Phase V-SEZ Laguna Technopark, Biñan, Laguna, 4024 not later than 16 May 2017.
b. If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all the joint owners.
c. If the shares of stock are owned in and "and/or" capacity, the proxy form must be signed by either one of the owners.
d. If the shares of stock are owned by a corporation, association or partnership, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association or partnership, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved polices of such corporation, association or partnership for such purpose.

4. Revocation of Proxy

An owner of shares of stock who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received by the Corporate Secretary not later than the last day for the submission of proxies as indicated in the Notice to Stockholders. A proxy is also considered revoked for a particular meeting if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

5. Validation of Proxies

The last day for validation of proxies for the Annual Stockholders' Meeting is on 17 May 2017. Validation of proxies will be done by the Proxy Validation Committee composed of the Corporate Secretary of the Company, a representative from the stock and transfer agent of the Company, a representative from the external auditor of the Company and a representative from the Company.

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Ernest Fritz Server**, Filipino, of legal age and a resident of 319 Chico Drive, Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of Cirtek Holdings Philippines Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
RFM Corporation	Vice Chairman	Up to present
RFM Foundation, Inc.	Director	Up to present
BJS Development Corp.	Advisory Board Member	Up to present
Superior Las Pinas, Inc. Development	President	Up to present
Westview Properties, Inc.	Chairman	Up to present
Philtown Properties, Inc.	Vice Chairman	Up to present
IConnect Integrated Solutions, Inc.	President	Up to present
Capital Mediaworks, Inc.	***President***	Up to present
Vicinetum Holdings, Inc.	***President***	Up to present
ABS-CBN Convergence, Inc.	Director	Up to present
Arrakis Holdings, Inc.	Chairman	Up to present
Seacage Industries, Inc.	President	Up to present
Phil. Stratbase Consultancy, Inc.	Director	Up to present
818 Aqua Farms, Inc.	Director	Up to present
A1 Move Logistic, Inc.	Director	Up to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cirtek Holdings Philippines Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.

5. I shall inform the corporate secretary of Cirtek Holdings Philippines Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this ____ day of April 2017, at ______________.

ERNEST FRITZ SERVER
Affiant

APR 2 1 2017

SUBSCRIBED AND SWORN to before me this ______ day of April 2017 at MAKATI CITY, affiant personally appeared before me and exhibited to me his Tax Identification Number 115-593-099.

Doc. No. 351;
Page No. 72;
Book No. 553;
Series of 2017.

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST. MAKATI CITY
IBP NO. [illegible] / C1 2015 APPT. NO. M. 17
ROLL NO. [illegible] / MCLE-4 NO. 0006324 / 11-22-16
PTR NO. MAKATI 5909552 / 1-3-17 MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI CITY) S.S.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Eduardo P. Lizares**, Filipino, of legal age, married, and a resident of No. 12 Planet Street, Bel-Air Village, Makati City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I have been nominated as an independent director of Cirtek Holdings Philippines Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	**Position/Relationship**	**Period of Service**
Padilla Law Office A professional partnership	Partner	Up to present
University of the Philippines College of Law	Professorial Lecturer Constitutional Law	2013-2016

University of the Philippines, Law Center, Lecturer, Mandatory Continuing Legal Education, up to present

Trustee, College of the Immaculate Conception, Inc., Cabanatuan, Nueva Ecija

Trustee, Concordia College, Inc., 1739 Pedro Gil St., Paco, Manila

Trustee, Immaculate Heart of Mary College, Inc., 54 Aurora Blvd., Quezon City

Trustee, Sacred Heart College, Inc., Lucena City, Nueva Ecija

Trustee, Asilo de San Vicente de Paul, Inc., UN Avenue, Manila

Trustee, Asilo de la Milagrosa, Inc., Lahug, Cebu City

Trustee, Asilo de Molo, Inc. Iloilo City

Trustee, St. Vincent's Home, Inc., Bacolod City

Trustee, Rosalie Rendu Development Center, Inc., Sucat, Paranaque City

I serve as trustee of the foregoing non-stock, non-profit corporations up to the present.

3. Padilla Law Office is legal counsel to the Holy See and various Roman Catholic Archdioceses and Dioceses in the Philippines, and most of the major religious congregations (of women religious) of Pontifical Right in the Philippines and their non-stock, non-profit educational institutions, hospitals and social welfare institutions. It is external legal counsel to the Bank of the Philippine Islands (BPI) and Citiland, Inc., which are PSE listed companies.

4. Should I be elected as Independent Director, I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cirtek Holdings Philippines Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

5. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

6. I shall inform the Corporate Secretary of Cirtek Holdings Philippines Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this __21st__ day of April 2017, at Makati City.

Eduardo P. Lizares
Affiant

APR 21 2017

SUBSCRIBED AND SWORN to before me this ______ day of April 2017 at __________________, affiant personally appeared before me and exhibited to me his Tax Identification Number 140-456-030-000 and Driver's License No. F01-79-028107 valid through 12 April 2019.

Doc. No. 352;
Page No. 72;
Book No. 553;
Series of 2017.

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST. MAKATI CITY
IBP NO. 1052369 / CY 2015 APPT. NO. M. 17
ROLL NO. 28947 / MCLE- 4 NO. 0006324 / 11-22-16
PTR NO. MKT. 5909552 / 1-3-17 MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
CITY OF Makati City) S.S.

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **Hector Villanueva**, Filipino, of legal age and a resident of 4419 Bluebelle Road, Sun Valley Subdivision, Brgy. Sun Valley, Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I have been nominated as an independent director of Cirtek Holdings Philippines Corporation.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
First Metro Philippine Equity Exchange Traded Fund, Inc.	Chairman	January 2013-2015
Philippine Postal Corporation	Postmaster General and CEO	October 2006 - 2011
Philippine Postal Corporation	Chairman	2004-2006
Polytechnic University of the Philippines	Member, Board of Regents	2002-2006
Philippine Deposit Insurance Co.	Representative to Export & Industry Bank	2002-2006
Philippine Pacific Management Consultancy, Inc.	Chairman and President	2002-2006
First Metro Investment Corporation	Member of the Advisory Board	1998-2004
Sun Star Manila	Publisher and Editor-in-Chief	1998-2001
Government of the Philippines	Press Secretary	1995-1998
Lakas-NUCD-UMDP	National Spokesman	1994-1995
Polytechnic University of the Philippines	Ninoy Aquino Professorial Chair in Political Economy	1989
Philippine Electronics Exporter Association	Treasurer	1982
House of Representatives	Director General Congressional Economic Planning Service	1987-1989
Government Service and Insurance System	Office of the President and General Manager	1966-1987
Silicon Technology, Inc.	Vice President	1976-1981
Business Day Corporation	Chairman and Treasurer	1967-1972

Department of Commerce and Industry	Senior Economist	1963-1965
Petroleum Economist	Filoil Refinery Corporation	1962-1963
The Chartered Bank, Manila	Department Manager	1960-1962

3. Should I be elected as Independent Director, I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Cirtek Holdings Philippines Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

5. I shall inform the Corporate Secretary of Cirtek Holdings Philippines Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 2 1 2017 day of April 2017, at Makati City.

HECTOR VILLANUEVA
Affiant

SUBSCRIBED AND SWORN to before me this APR 2 1 2017 day of April 2017 at Makati City, affiant personally appeared before me and exhibited to me his Tax Identification Number ________.

Doc. No. 56;
Page No. 13;
Book No. 24;
Series of 2017.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN. 29, 2007
PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION

I, **ANTHONY S. BUYAWE**, of legal age, Filipino, with office address at 116 EAST Main Ave. Ph. V-SEZ, Laguna Technopark, Biñan, Laguna, Philippines, do hereby depose and say:

1. I am the incumbent Treasurer and Compliance Officer of **CIRTEK HOLDINGS PHILIPPINES CORPORATION** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal place of business at No. 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

2. As such Treasurer and Compliance Officer, I hereby certify that none of the members of the Board of Directors and Officers of the Corporation are elective or appointive public officers or employees of the National or any Local Government Agency of the Philippines.

3. This Certification is being issued pursuant to Article IX(B) Section 8 of the Philippine Constitution.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ____ day of April 2017 at______________.

ABuyawe
ANTHONY S. BUYAWE
Treasurer/Compliance Officer

APR 2 1 2017

SUBSCRIBED AND SWORN to before me this ___ day of April 2017, at MAKATI CITY, affiant who is personally known to me exhibiting to me his Tax Identification Number 102-082-234.

Doc. No. 353
Page No. 72
Book No. 553
Series of 2017.

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST. MAKATI CITY
IBP NO. 1032369 / CY 2015 APPT. NO. M. 17
ROLL NO. 22347 / MCLE- 4 NO. 0006324 / 11-22-16
PTR NO. MKT. 5909552 / 1-3-17 MAKATI CITY

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [✔] Definitive Information Statement

2. Name of Registrant as specified in its charter: **Cirtek Holdings Philippines Corporation**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number **CS2011102137**

5. BIR Tax Identification Code **007-979-726**

6. Address of principal office **116 East Main Avenue, Phase V-SEZ Laguna Technopark, Biñan Laguna** Postal Code: **4024**

7. Registrant's telephone number, including area code **+632 729 6205 +63 49 541 2317**

8. Date, time and place of the meeting of security holders: **26 May2017, 10:30 am at the Paseo Premiere Hotel, Sta. Rosa Business Park, Laguna**

9. Approximate date on which the Information Statement, including proxy form and other solicitation materials, is first to be sent or given to security holders: **5 May 2017**

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: **REGISTRANT**

    Address and Telephone No.: **116 East Main Avenue, Phase V-SEZ Laguna Technopark, Biñan Laguna, and +632 729 6205 +63 49 541 2317**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**419,063,353/n/a**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ✔ No _______

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange, Inc. (PSE) – Common Shares

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

a.	DATE OF MEETING	:	26 May 2017
	TIME OF MEETING	:	10:30 AM
	PLACE OF MEETING	:	Paseo Premiere Hotel, Sta. Rosa Business Park, Laguna
	PRINCIPAL OFFICE	:	116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna
b.	Approximate date on which the Information statement is first to be sent or given to security holders	:	5 May 2017

Item 2. **Dissenters' Right of Appraisal**

Any stockholder of the Corporation who exercises his right of appraisal must vote against the proposed corporate action in order to avail himself of the appraisal right. As provided in Title X of the Corporation Code, a stockholder may exercise his right of appraisal in the following instances:

a. In case an amendment to the Articles of Incorporation has the effect of:

   i. Changing or restricting the rights of any stockholder or class of shares;

   ii. Authorizing preferences in any aspects superior to those of outstanding shares of any class;

   iii. Extending or shortening the corporate existence;

b. The sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets;

c. A merger or consolidation.

In the exercise of the appraisal right, Title X provides the procedure on how it may be exercised:

a. A dissenting stockholder files a written demand for payment of the fair value of the shares within thirty (30) days after the date on which the vote was taken. Failure to file a written demand within the thirty (30) day period shall constitute a waiver of the right. Within ten (10) days from demand, the dissenting stockholder shall submit the stock certificates to the corporation for notation that such shares are dissenting shares. From the time of demand for payment until either abandonment of the corporate action or purchase of the shares of the corporation, all rights accruing to the shares shall be suspended, except the stockholder's right to receive payment for the fair value of his shares.

b. If the corporate action is implemented, the corporation pays the stockholder the fair value of his shares upon surrender of the certificate/s of stock. Fair value is determined by the value of the shares on the day prior to the date on which the vote was taken, excluding appreciation/depreciation in anticipation of such corporate action.

c. If the fair value is not determined within sixty (60) days from the date of action, it will be determined and appraised by three (3) disinterested persons (one chosen by the corporation, another chosen by both). The findings of the said appraisers will be final, and their award will be paid by the corporation within thirty (30) days after such award is made. Upon such payment, the stockholder shall forthwith transfer his shares to the corporation. No payment shall be made to the dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment.

d. If the stockholder is not paid within thirty (30) days from such award, his voting and dividend rights shall be immediately restored.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

As of the date hereof, none of the directors of the Corporation has informed the Corporation of his intention to oppose any of the corporate actions to be acted upon at the annual stockholders' meeting of the Corporation.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) Number of shares outstanding as of 31 March 2017	419,063,353 common shares 400,000,000 preferred shares

Number of votes to which each one (1) share or class is entitled

The common and preferred shares are both entitled to one (1) vote per one (1) share. However, while the common shares are registered with the Securities and Exchange Commission ("SEC") and listed with the Philippine Stock Exchange ("PSE"), the preferred shares are not registered with the SEC and not listed with the PSE.

(b) Cut-off date / record date	27 April 2017	for common shares
	27 April 2017	for preferred shares

The Corporation's capital stock consists of common shares and preferred shares. The stockholders have the same voting rights. Each share is entitled to one vote.

(c) Cumulative Voting for Directors – At the election of directors, each stockholder may vote the shares registered in his name, either in person or by proxy, 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 principle among as many candidates as he shall see 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.

(d) Security ownership of Certain Record and Beneficial Owners

Owners of record of more than 5% of the corporation's voting securities as of 31 March 2017:

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.[1]	Camerton, Inc.	Filipino	208,888,558	49.85
Common	Cirtek Electronics Corporation[2]	Cirtek Electronics Corporation	Filipino	49,371,700	11.78
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	143,816,827	34.32
	Total			402,077,085	95.95%
Preferred	Camerton, Inc.[3]	Camerton, Inc.	Filipino	400,000,000	100
	Total			400,000,000	100%

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

Participant	Number of Shares	Percentage
Guild Securities	67,072,828	19%
Citibank N.A.	27,561,862	6.6%

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

The number of common shares beneficially owned by directors and executive officers as of 31 March 2017 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

1 Camerton, Inc. has appointed Jerry Liu who shall vote the shares on its behalf.
2 Cirtek Electronics Corporation has appointed Jerry Liu who shall vote the shares on its behalf.
3 Camerton, Inc. has appointed Jerry Liu who shall vote the shares on its behalf.

Common	Roberto Juanchito Dispo	1	Filipino	0.0000
Common	Martin Lorenzo	1	Filipino	0.0000
Common	Ernest Fritz Server	1	Filipino	0.0000
Common	Michael Stephen Liu	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.

(e) 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 5. **Directors and Executive Officers**

All of the Directors and officers named herein have served in their respective positions since 27 May 2016. 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 Officers were elected by the Board of Directors at the organizational meeting of the Board on 27 May 2016. The Board also elected during the said meeting the chairman and members of the Audit Committee, the Nominations Committee, and the Compensation Committee.

Nominees

Nominations Committee

The Chairman of the Nominations Committee of the Corporation is Ernest Fritz Server, an Independent Director, and the members are Jerry Liu and Roberto Juanchito T. Dispo.

Nominees

The nominees for election as members of the Board of Directors and as Officers of the Corporation as of the date of sending the Definitive Information Statement are listed below:

Regular Directors

Jerry Liu
Roberto Juanchito T. Dispo
Anthony Buyawe
Michael Stephen Liu
Brian Gregory Liu
Justin Liu

Independent Directors

Ernest Fritz Server
Eduardo Lizares
Hector Villanueva

Corporate Secretary
Tadeo Hilado

Assistant Corporate Secretary
Brian Gregory Liu

The Nominees for Directors and Officers

Name	Age	Citizenship	Position
Jerry Liu	68	Chinese	Chairman and Director
Roberto Juanchito T. Dispo	52	Filipino	Vice Chairman, President and Director
Anthony Buyawe	50	Filipino	Treasurer/CFO, Compliance Officer and Director
Michael Stephen Liu	32	Filipino	Director
Brian Gregory Liu	30	Filipino	Assistant Corporate Secretary and Director
Justin T. Liu	35	Filipino	Director
Ernest Fritz Server	73	Filipino	Independent Director
Eduardo Lizares	60	Filipino	Independent Director
Hector Villanueva	81	Filipino	Independent Director
Tadeo Hilado	64	Filipino	Corporate Secretary

The following is a brief profile of the Corporation's Directors and Officers for the year 2016-2017 as well as the nominees for the year 2017-2018.

Regular and Independent Directors.

Jerry Liu, 68 years old was elected as the Corporation's Chairman and President on 25 May 2012. He is currently the Chairman of the Corporation. He is also 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.

Roberto Juanchito T. Dispo, 52 years old was elected Vice Chairman and Director of the Corporation on 4 January 2016 and also as President of the Corporation on 27 May 2016. Mr. Dispo is also Vice Chairman of Cosco Capital, and sits on the Board of PB Com Bank and Axa Philippines. Prior to joining the Corporation, Mr. Dispo was President and Director of First Metro Investment Corporation. Mr. Dispo holds BSC Economics and Business Management from San Sebastian College and Pamantasan ng Lungsod ng Maynila, respectively. He also completed Masters in Business Administration and Masters in Business Economics from Pamantasan ng Lungsod ng Maynila and the University of Asia & the Pacific, respectively.

Nicanor Lizares, 53 years old was elected as a director of the Corporation on 17 February 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, 50 years old was elected as the Corporation's Treasurer and Chief Financial Officer on 17 February 2011. He is concurrently the CFO of CEC, CEIC and the Figaro Coffee Corporation. Prior to joining the Corporation, 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.

Rafael G. Estrada, 64 years old, 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, 51 years old was elected as an Independent Director of the Corporation on 17 February 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. He also served as Chairman, President and CEO of Macondray & Co., Inc., Chairman and President of First Lucky Property Holdings, Chairman and President of First Lucky Property Corporation and Marlor Investment Corporation. 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, 73 years old, was elected as an Independent Director of the Corporation on 17 February 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, Chairman of Arrakis Holdings, Inc., President of Seacage Industries, Inc., President of West Properties, Inc., President of Superior Las Pinas, Inc., a director of ABS CBN Convergence, Inc. and a director of BJS Development Corp. Previously, Mr. Server served as Vice Chairman of the Commercial Bank of Manila, Consumer Bank and Cosmos Bottling Corporation, President of Philippine Home Cable Holdings, Inc. and Philam Fund, and a director of Philippine Township, Inc.. 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.

Michael Stephen T. Liu, 32 years old, is currently the General Manager of Cirtek Advanced Technology and Solutions (CATSI) a Cirtek company catering to the telecom and wireless broadband space. He was first elected as Director on 11 May 2015. Mr. Liu obtained his degree in Electronics and Communications Engineering from De La Salle University in 2007 and is a licensed Electrical Engineer.

Brian Gregory T. Liu, 30 years old, has been the Assistant Corporate Secretary of the Corporation since March 2011. He was first elected as Director on 11 May 2015. 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.

Justin T. Liu, 35 years old, is President and Director of Figaro Coffee Systems, Inc. Mr. Liu graduated from the De La Salle University with a Bachelor of Science in Business Management and earned his Masters in Finance from the University of San Francisco in 2006.

Eduardo Lizares, 60 years old, is currently Partner at Padilla Law Office and Professorial Lecturer on Constitutional Law at the University of the Philippines. Atty. Lizares holds a Bachelor of Arts degree for De La Salle University, Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree from Harvard Law School, Harvard University.

Hector Villanueva, 81 years old, has held senior positions in both private and public sectors. He was Chairman of the Board of First Metro Philippine Equity Exchange Traded Fund, Inc., Postmaster General and CEO of Philippine Postal Corporation, Member of the Advisory Board, First Metro Investment Corporation, and Publisher and Editor-in-Chief, Sun Star Manila, among others. Mr. Villanueva was also Cabinet Secretary from 1995-1998. Mr. Villanueva obtained a Bachelor of Science degree in Economics from the London School of Economics and Political Science, and post-graduate studies from Royal Institute of Bankers, United Kingdom.

Independent Directors

The nominees for Independent Directors of the Corporation for the year 2017-2018 are:

1. Ernest Fritz Server,
2. Eduardo Lizares, and
3. Hector Villanueva

They have been nominated by Jerry Liu, current Chairman of the Corporation. Jerry Liu has no relationship with the nominee Independent Director. Ernest Fritz Server has been an Independent Director of the Corporation since 17 February 2011. In accordance with the Securities and Exchange Memorandum Circular No. 19, Series of 2016, Ernest Fritz Server may serve as Independent Director until 2021 while either Hector Villanueva or Eduardo Lizares mat served as Independent Director of the Corporation until 2026.

Key Officers

Tadeo Hilado, 64 years old, Filipino, was elected as the Corporation's Corporate Secretary on 17 February 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., Univation Motor Philippines, Inc., Nissan Autoparts Manufacturing Corporation, Sumisetsu Philippines, Inc., Samsonite Philippines, Inc., Vitarich Corporation, 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.

Significant Employees

The business of the Corporation is not highly dependent on the services of personnel outside of senior management.

Family Relationships

The Corporation's Chairman, Jerry Liu, is the father of Brian Liu, the Corporation's Assistant Corporate Secretary and Director, Michael Stephen Liu, the Corporation's Director, and Justin Liu, a nominee Director.

Involvement in Certain Legal Proceedings

The Corporation is not aware of the occurrence, during the past five (5) years up to the date hereof of any of the following events that are material to an evaluation of the ability or integrity of any director or executive officer:

1. Any bankruptcy petition filed by or against any director, or any business of a director, nominee for election as director, or executive officer who was a director, general partner or

executive officer of said business either at the time of the bankruptcy or within two (2) years prior to that time;

2. Any director, nominee for election as director, or executive officer being convicted by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any director, nominee for election as director, or executive officer being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

4. Any director, nominee for election as director, or executive officer being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self- regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Item 6. **Compensation of Directors and Executive Officers**

a. Total Annual Compensation

The total annual compensation of the President and the top four highly compensated executed and to its officers and directors as a group unnamed is as follows:

For 2016

Name & Position	Year	Salary	Estimated Bonus
Jerry Liu (President) Anthony Buyawe (CFO) Domingo Bonifacio (President CATS) Rolando Enriquez (Vice President CATS) Jorge Aguilar (President CEC	2016	₱40.0 million	₱8 million
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2016	₱45 million	₱10 million

For 2017

Name & Position	Year	Estimated Salary	Estimated Bonus
Jerry Liu (Chairman) Roberto Juanchito Dispo (President) Anthony Buyawe (CFO) Rolando Enriquez (Vice President CATS) Jorge Aguilar (President CEC)	2017	₱42 million	₱8.4 million
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2017	₱48 million	₱12 million

b. Compensation of Directors

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

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

c. 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 Corporation's Chief Executive Officer, other officers and/or directors.

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

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

Item 7. **Independent Public Accountants**

a. The Audit Committee

The Audit Committee is composed of three (3) members, one (1) of whom is an independent director. It is composed of the following members:

1. Ernest Fritz Server (*Chairman*)
2. Anthony Buyawe (*Member*)
3. Jerry Liu (*Member*)

b. The Public Accountant

The Corporation's public accountant is the accounting firm Sycip Gorres Velayo & Co ("SGV"). They are being recommended once again for election, approval, and ratification for the current fiscal year. As of December 31, 2015, SGV has been the Corporation's external auditor for five years with Mr. Ladislao Z. Avila, Jr. as the Partner-in-Charge for the audit years 2011 to 2015. The Corporation, in compliance with SRC Rule 68, paragraph 3 (b) (iv) re: compliance with the five (5) year rotation requirement for external auditors, has requested for a new Partner-in-Charge from SGV to handle its accounts. Mr. Martin C. Guantes has been assigned by SGV as Part-in-Charge effective 2015 Audit.

Representatives from SGV attend the Annual Meeting of the Stockholders of the Corporation and are given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions.

c. External Audit Fees and Services

Audit and Audit-Related Fees	2016	2015
Regular audit	₱ 1,100,000	₱ 950,000
Special audit	₱ 9,100,000	₱ 700,00
Other fees (out-of-pocket expenses)	₱ -	₱ -
Total Audit and Audit-related Fees	₱ 10,200,00	₱ 1,650,000

The Audit Committee approves the policies and procedures for the above services by observing the independence of parties and by carrying out transaction at arms-length basis.

Item 8. **Compensation Plans**

There are no actions to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

There is no action to be taken with respect authorization or issuance of securities other than for Exchange.

Item 10. **Modification or Exchange of Securities**

There is no action to be taken with respect to the modification of any class of securities of the registrant, or the issuance or authorization for issuance of one class of securities of the registrant in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

There is no action to be taken with respect to any matter specified in Items 9 or 10 above.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

There are no actions or transactions with respect to any mergers, consolidations, acquisitions or similar matters that will be taken up by the registrant.

Item 13. **Acquisition or Disposition of Property**

There is no action to be taken up with respect to the acquisition or disposition of any property.

Item 14. **Restatement of Accounts**

There is no action to be taken up with respect to the restatement of any asset, capital, or surplus account of the registrant.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

a. The Board in its special meetings held last 24 October 2016 and 4 April 2017 approved to increase the authorized capital stock of the Corporation by up toOne Billion Four Hundred Forty Million Pesos (P1,440,000,000.00) in lawful money of the Philippines, or from Five Hundred Sixty Million Pesos (P560,000,000.00), divided into five hundred twenty million (520,000,000) Common Shares with a par value of One Peso (P1.00) per share and four hundred million preferred shares (400,000,000) Preferred Shares with a par value of Ten Centavos (P0.10) per share ("Preferred A Shares"), to up to Two Billion Pesos (P2,000,000,000.00), consisting of up to One Billion Four Hundred Million Pesos (P1,400,000,000.00) worth of Common Shares with a par value of One Peso (P1.00) per share and, up to Six Hundred Million Pesos (P600,000,000.00) worth of Preferred Shares classified into up to One Hundred Forty Million Pesos (P140,000,000.00) Preferred A Shares with a par value of Ten Centavos (P0.10) per share, and up to Four Hundred Sixty Million Pesos (P460,000,000.00) New Preferred Shares with a par value of One Peso (P1.00) per share, the series, classes, preferences, convertibility, voting rights and other features of which shall be determined by the Board of Directors.

In view thereof, the following matters shall be presented to the stockholders for their approval during the Annual Stockholders' Meeting on 26May 2017:**(i)**increase in the amount of the authorized capital stock from Five Hundred Sixty Million Pesos (P560,000,000.00), divided into five hundred twenty million (520,000,000) Common Shares with a par value of One Peso (P1.00) per share and four hundred million preferred shares (400,000,000) Preferred Shares with a par value of Ten Centavos (P0.10) per share ("Preferred A Shares"), to up to Two Billion Pesos (P2,000,000,000.00), consisting of up to One Billion Four Hundred Million Pesos (P1,400,000,000.00) worth of Common Shares with a par value of One Peso (P1.00) per share and, up to Six Hundred Million Pesos (P600,000,000.00) worth of Preferred Shares classified into up to One Hundred Forty Million Pesos (P140,000,000.00) Preferred A Shares with a par value of Ten Centavos (P0.10) per share, and up to Four Hundred Sixty Million Pesos (P460,000,000.00) New Preferred Shares with a par value of One Peso (P1.00) per share, the series, classes, preferences, convertibility, voting rights and other features of which shall be determined by the Board of Directors;**(ii)**creation ofNew Preferred Shares, the series, classes, preferences, convertibility, voting rights and other features of which shall be determined by the Board of Directors;**(iii)**delegation to the Board of the the power and authority to: (a) determine the manner (either in one or more tranches) by which the proposed increase in the Authorized Capital Stock of the Corporation will be implemented, and (b) the manner by which the increase in the Authorized Capital Stock will be subscribed and paid for, such as, but not limited to, a private placement transaction or public offering;**(iv)**delegation to the Board of Directors of the power and authority to issue from time to time in one or more series the New Preferred Shares mentioned above, and to determine the issue price of each particular series of the New Preferred Shares, to fix the number of shares to be included in each of such series, and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the New Preferred Shares;**(v)**delegation to the Board of Directors of the power and authority to file such applications and documents as may be necessary to amend the articles of incorporation of the Corporation that will give effect to the foregoing resolutions.

Item 16. **Matters Not Required to be Submitted**

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. **Amendment of Charter, By-Laws or Other Documents**

The rationale for the foregoing resolutions/actions are as follows:

Since the authorized capital stock of the Corporation is almost fully subscribed, the Corporation has very limited ability to raise funds for its business needs. The proposed resolutions above, will give the Corporation the flexibility to address needs to increase the authorized capital stock of the Corporation for purposes of sourcing funds for expanding operations.

The creation of a new class of preferred shares is contemplated in light of potential investors who prefer to subscribe to shares with additional features.

Should the proposed resolutions above, which envision to increase the authorized capital stock of the Corporation and to create a new class of preferred shares, once implemented shall have the following general effects:

The increase in the authorized capital stock will result in more number of shares which can be issued by the Corporation to the public and to its existing stockholders.

The creation of a new class of preferred shares shall provide additional source of funding for the Corporation. The resulting new class of shares which will not be listed in the Philippine Stock Exchange.

Item 18. **Other Proposed Action**

a. With respect to the proposed increase in the authorized capital stock of the Corporation, the Board will obtain the consent of the Stockholders to delegate to the Board of Directors the authority to: (i) determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Corporation will be implemented; and (ii) the manner by which the increase in the authorized capital stock will be financed and supported, such as, but not limited to a private placement transaction (whether by a third party investor or a related-party investor), and for this purpose, the approval of the majority of the minority shareholders of the Corporation to waive the requirements to conduct a rights or public offering of the shares to be subscribed by the related party will be obtained; and

b. With respect to the delegated authority to amend the articles of incorporation of the Corporation to effect the implementation of the increase in the Authorized Capital Stock, the Board will obtain the consent of the Stockholders to delegate to the Board of Directors the authority to file such applications and documents as may be necessary to amend the articles of incorporation of the Corporation that will give effect to the foregoing resolutions.

Item 19. **Voting Procedures**

The vote required for the election of Directors and Independent Directors

At all elections of Directors and Independent Directors, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock. The election must be by ballot if requested by any voting stockholder or member. Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, and said stockholder may vote such number of shares for as many persons as there are directors to be elected 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 principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

The vote required for the declaration of stock dividends

Under the Corporation Code, no stock dividend shall be issued without the approval of stockholders representing not less than two-thirds (2/3) of the Corporation's capital stock.

The vote required for the increase in the authorized capital stock

Under the Corporation Code, no corporation shall increase its authorized capital stock unless approved by stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation at a meeting duly called for the purpose.

The vote required for the amendment of the articles of incorporation of the Corporation

Under the Corporation Code, any provision or matter stated in the articles of incorporation may be amended by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the corporation.

The method by which votes will be counted

Each shareholder may vote in person or by proxy by the number of shares of stock standing in his name of the books of the Corporation. Each share represents one vote. Voting shall be by balloting. The Corporate Secretary, Atty. Tadeo F. Hilado, shall assist the Corporation's Stock and Transfer Agent in counting the votes to be cast.

No director has informed the Corporation of any intention to oppose the matters to be taken up in the Annual Stockholders' Meeting.

Vote entitlement of the Common and Preferred Shares of the Corporation

Both common and preferred shares are entitled to one (1) vote per one (1) share. However, while the common shares are registered with the Securities and Exchange Commission ("SEC") and listed with the Philippine Stock Exchange ("PSE"), the preferred shares are not registered with the SEC and not listed with the PSE.

PART II.

INFORMATION REQUIRED IN A PROXY FORM
(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

Item 1. **Identification**

The Registrant is the person on whose behalf the solicitation is made.

The Chairman of the Board of the Registrant shall be appointed as the proxy, and in his absence, by any substitute proxy designed by him at any meeting of the stockholders, or in the absence of such designation, the designated Chairman of the meeting of stockholders chosen in accordance with the Corporation's By-Laws.

Item 2. **Instruction**

a. The manner in which the form shall be accomplished, including the validation process of such form, must be clearly discussed.

   The form of the proxy is hereto attached as Annex "A". By affixing the signature on the space provided in the Proxy Form, the stockholder directs the proxy to vote on the agenda items as expressly indicated by marking the Proxy Form with an "X" in the respective boxes for each matter to be taken up in the meeting, failing which, said proxy shall exercise full discretion in acting thereon and vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for all proposals herein.

   Proxies must be received by the Corporation no later than 16 May 2017 at its principal office located at 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna. Proxy validation shall be conducted by the Proxy Validation Committee composed of the Corporate Secretary, or his representative, a representative of the Stock and Transfer Agent of the Corporation, a representative of the Auditors of the Corporation, and a representative from the Corporation. Proxy validation shall on 17 May 2017.

   All proxies will be validated in accordance with the requirements of Section 58 of the Corporation Code which provides that proxies must be in writing, signed by the stockholder and filed before the scheduled meeting with the Corporate Secretary, which in this case is no later than 16 May 2017. Proxies shall be valid and effective for a maximum period of five (5) years. A proxy executed by a corporation shall be in the form of a board resolution duly certified by the Corporate Secretary or in a proxy form executed by a duly authorized corporate officer accompanied by a Corporate Secretary's certificate quoting the board resolution authorizing the said corporate officer to execute the said proxy. Proxies executed abroad shall be duly authenticated by the Philippine Embassy or Consular Office. All issues relative to proxies including their validation shall be resolved prior to the canvassing of votes for purposes of determining a quorum.

b. Disclose how the form shall be voted upon in case the same is not properly executed.

   Proxies which are not properly executed shall be considered void and shall not be considered in the counting of the votes.

c. The matters to be taken up in the meeting shall be enumerated opposite of the boxes. Likewise, the names of nominee directors shall be enumerated opposite the boxes.

Item 3. **Revocability**

The Proxy shall be for a period of five (5) years. It is revocable upon written notice delivered to the Corporate Secretary of the Corporation. The Proxy shall also be deemed revoked for a particular meeting when the stockholder personally attends the meeting and signified his intention to vote his shares.

Item 4. **Persons Making the Solicitation**

1. The Registrant shall do the solicitation by attaching a copy of the Proxy Solicitation Form (the form of which is attached hereto as Annex "A") in the Notice and Agenda to be sent to all stockholders of record. In addition, the Chairman of the Board will also exert efforts, on his own, to solicit such proxies through email, telephone calls and personal visit to some security holders.

2. None of the regular employees of the Corporation or any other participant in a solicitation have been or are to be employed to solicit security holders.

3. No specially engaged employees, representatives or other persons have been or will be employed by the Corporation to solicit security holders.

4. The Corporation estimates that it will spend a total of Two Thousand Five Hundred Pesos (Php2,500.00) for the printing and reproduction of the Proxy Solicitation Form.

5. The Registrant shall bear all the direct or indirect cost of solicitation.

6. There are no settlement agreements between the Corporation and any other participant in the solicitation of proxies.

7. No director has informed the Registrant in writing that he/she intends to oppose any action intended to be taken by the Registrant during the Annual Stockholders' Meeting.

Item 5. **Interest of Certain Persons in matters to be Acted Upon**

<u>Directors and Executive Officers</u>

(a) Legal Proceedings – none of the directors are involved in any material pending legal proceedings where their properties are the subject of such proceedings.

(b) The Incumbent Directors and Officers of the Corporation are:

Incumbent Directors/Officers	(Age)/ *Citizenship*	*Position/Period which they had Served*
JERRY LIU	(68)/ Chinese	Chairman and President (17 *February 2011 to present*) Director (17 *February 2011 to present*) Chairman (*27 May 2016 to present*)
ROBERTO JUANCHITO DISPO	(52)/ Filipino	Vice Chairman and Director (4*January 2016 to present*) President (27 *May 2016 to present*)

NICANOR LIZARES	(53)/ Filipino	Vice-President (*17 February 2011 to present*) Director (*17 February 2011 to present*)
ANTHONY BUYAWE	(50)/ Filipino	Treasurer (*17 February 2011 to present*) Director (*17 February 2011 to present*)
RAFAEL ESTRADA	(64)/ Filipino	Director (*31 May 2013 to present*)
MICHAEL STEPHEN LIU	(32)/ Filipino	Director (*11 May 2015 to present)*
MARTIN LORENZO	(51)/ Filipino	Independent Director (*17 February 2011 to present*)
ERNEST FRITZ SERVER	(73)/ Filipino	Independent Director (*17 February 2011 to present*)
TADEO F. HILADO	(64)/ Filipino	Corporate Secretary (*17 February 2011 to present*)
BRIAN GREGORY LIU	(30)/ Filipino	Assistant Corporate Secretary (*March 2011 to present*) Director (30 *March 2015 to present*)

(c) Family Relationships

Michael Stephen Liu, current Director, Brian Gregory Liu, current Director and Assistant Corporate Secretary, and Justin Liu, nominee for Director, are the sons of the Chairman, Jerry Liu.

(d) Involvement in Certain Legal Proceedings – None of the Directors and Officers are involved in:

(1) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(2) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

(3) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

(e) Each nominee for election as a director of the Registrant. The following are the nominees for election to the Board of Directors:

Directors:
1. Jerry Liu
2. Roberto Juanchito T. Dispo
3. Anthony Buyawe
4. Michael Stephen T. Liu
5. Brian Gregory T. Liu
6. Justin T. Liu

Independent Directors
7. Ernest Fritz Server
8. Eduardo Lizares
9. Hector Villanueva

Certain Relationships and Related Transactions

Please refer to Note 17 of the Consolidated Financial Statement of the Corporation.

The Liu family, primarily through Camerton, Inc., is the largest shareholder in the Corporation, and as of 31March 2017 owned 208,888,558 shares, or approximately 49.85% 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 most significant of these transactions are as follows:

a. Account balances with related parties which are mainly advances for operating requirements are as follows:

Related parties	Year	Amounts owed by related parties	Amounts owed to related parties	Rental deposit
Cirtek Holdings Inc.	**2016**	**$1,809,256**	**$–**	**$–**
(CHI)	2015	$1,809,256	**$–**	$–
Cayon Holdings, Inc.	**2016**	**$206,284**	**$73,182**	**–**
	2015	$206,284	$61,492	–
Camerton, Inc.	**2016**	**$111,994**	**–**	**–**
	2015	$33,161	–	–
Cirtek Land Corporation	**2016**	–	**$446,970**	**$1,131,399**
(CLC)	2015	–	$434,194	$1,131,399
Officer	**2016**	**$10,309,041**	**–**	**–**
	2015	$8,558,051	–	–
	2016	**$12,436,575**	**$520,152**	**$–**
	2015	$10,606,752	$495,686	$1,131,399

The above related parties, except for the officer, are under common ultimate ownership with the Group.

Amounts owed by and to related parties are non-interest bearing with no fixed repayment terms but are collectible/payable upon demand.

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

The amount owed by an officer amounting to $7.7 million as of 31 December 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 31 December 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 17 March 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 17 March 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 28) as of 17 March 2011.

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

The amount owed by CHI as of 31 December 2016 and 2015 pertains to the outstanding receivable arising from 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 31 December 2016 and 2015 pertain mainly to working capital advances and advances for incorporation expenses of Camerton.

Transactions with CLC and Cayon

CLC is an entity under common ownership with the ultimate parent. CEC had a lease agreement on the land where its manufacturing plant is located with CLC for a period of 50 years starting 1 January 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 1 January 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration up to the present with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to $1.1 million as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

Starting 1 January 2011, CEC entered into an agreement with CLC to lease the land where CEC's

Building 1 is erected. 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 $12,777, $13,515 and $14,434 in 2016, 2015 and 2014, respectively.

CEC also entered into an agreement with Cayon starting 1 January 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 $11,690, $12,025 and $13,114 in 2016, 2015 and 2014, respectively.

PART III.

SIGNATURE PAGE

I undertake to provide without charge to each person, a copy of the Registrant's annual report on SEC Form 17-A, upon written request sent to 116 East Main Ave., Phase V SEZ Laguna Technopark, Biñan, Laguna, and addressed to the undersigned. At the discretion of Management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the Registrant in furnishing such exhibits.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Biñan on 21 April 2017.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

By:

ANTHONY S. BUYAWE
Compliance Officer/Corporate Information Officer

ANNEX "A"

CIRTEK HOLDINGS PHILIPPINES CORPORATION

STOCKHOLDER PROXY
(Proxy solicitation is being made by and on behalf of the Company)

The undersigned hereby appoints the Chairman of the Board of **CIRTEK HOLDINGS PHILIPPINES CORPORATION** (the "Company"), with full power of substitution and delegation, as the proxy of the undersigned, to represent and vote all of the shares of common stock of the undersigned in the books of the Company for all matters to be taken up at all meetings of the Stockholders of the Company, including the Annual Stockholders' Meeting to be held on 26 May 2017 and at any and all adjournments or postponements thereof, as fully and for all intents and purposes, as the undersigned might or could do if present and acting in person, and hereby ratifies and confirms any and all actions taken on matters which may properly come before said meeting or any adjournment thereof.

In case of absence of the Chairman of the Board and any substitute proxy designated by him at any meeting of stockholders, the undersigned hereby grants to the designated Chairman of the meeting of Stockholders chosen in accordance with the Company's By-Laws, full power and authority to act as alternate proxy of the undersigned, for the same purposes specified in the preceding paragraphs.

This Proxy shall continue to be in full force and effect for a period of FIVE (5) years from the date hereof, unless withdrawn by written notice delivered to the Corporate Secretary of the Company, but shall not apply in instances wherein the undersigned personally attends the meeting.

IN WITNESS WHEREOF, the undersigned has executed this Proxy this ____ day of ___________.

____
(SIGNATURE OVER NAME OF STOCKHOLDER
OR AUTHORIZED SIGNATORY)

Address: ___________________________
____

Date: ______________________________

==

STOCKHOLDERS' INSTRUCTIONS TO PROXY FOR THE **26 May 2017**
ANNUAL STOCKHOLDERS' MEETING

The Stockholder may provide his/herinstructions to the Proxy here. Should the Stockholder opt not to give instructions, the Stockholder authorizes the Proxy to vote according to the recommendation of Management:

1. Approval of the Minutes of the 2016 Annual Stockholders' Meeting held on 27 May 2016

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

2. Approval of the Audited Financial Statements for the fiscal year ended 31 December 2016

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

3. Ratification of all acts of the Board of Directors and Management

   ☐ FOR ☐ AGAINST ☐ ABSTAIN

4. Approval of the Appointment of Sycip Gorres Velayo & Co. as External Auditor of the Company for 2017

☐ FOR ☐ AGAINST ☐ ABSTAIN

5. Approval of the increase in authorized capital stock, including the creation of a new class of preferred shares, and delegation to the Board of Directors of the power and authority to implement such increase in authorized capital stock, and the power and authority to fix the terms and conditions of the new class of preferred shares

☐ FOR ☐ AGAINST ☐ ABSTAIN

6. Election of NINE (9) Directors including at least TWO (2) Independent Directors

The nominees for election as directors/independent directors are:

1. Jerry Liu 2. Roberto Juanchito T. Dispo 3. Anthony S. Buyawe 4. Justin Liu	_____ _____ _____ _____	5. Michael Stephen Liu 6. Brian Gregory Liu 7. Ernest Fritz Server (*Independent Director*) 8. Hector Villanueva (*Independent Director/Regular Director*) 9. Eduardo Lizares (*Independent Director/Regular Director*)	_____ _____ _____ _____ _____
☐ FOR ALL ☐ WITHHOLD FOR ALL	☐ EXCEPTION: ____________________		

Instructions:
1. The Stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided. If the Stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided beside each nominee's name.
2. The total number of votes which a stockholder may cast is equal to nine (9) times the number of shares of common stock held as of the Record Date.

GENERAL INFORMATION AND INSTRUCTIONS

1. Solicitation Information

Solicitation of proxies for the meetings of stockholders is being made by and on behalf of the Company.

The cost and expenditures incidental to the proxy solicitation will be borne by the Company.

2. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer of the Company or nominee for election as director/independent director or officer of the Company has any substantial interest, directly and indirectly, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of the Stockholders, other than election to office

No director has informed the Company in writing that he intends to oppose any action to be taken at the Annual Stockholders Meeting of the Company.

3. Submission of Proxy

a. The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at 116 East Main Avenue, Phase V-SEZ Laguna Technopark, Biñan, Laguna, 4024 not later than 16 May 2017.
b. If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all the joint owners.
c. If the shares of stock are owned in and "and/or" capacity, the proxy form must be signed by either one of the owners.
d. If the shares of stock are owned by a corporation, association or partnership, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association or partnership, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved polices of such corporation, association or partnership for such purpose.

4. Revocation of Proxy

An owner of shares of stock who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received by the Corporate Secretary not later than the last day for the submission of proxies as indicated in the Notice to Stockholders. A proxy is also considered revoked for a particular meeting if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

5. Validation of Proxies

The last day for validation of proxies for the Annual Stockholders' Meeting is on 17 May 2017. Validation of proxies will be done by the Proxy Validation Committee composed of the Corporate Secretary of the Company, a representative from the stock and transfer agent of the Company, a representative from the external auditor of the Company and a representative from the Company.

CIRTEK HOLDINGS PHILIPPINES CORPORATION
MANAGEMENT REPORT 2017

TABLE OF CONTENTS

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 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 millimeter wave 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.

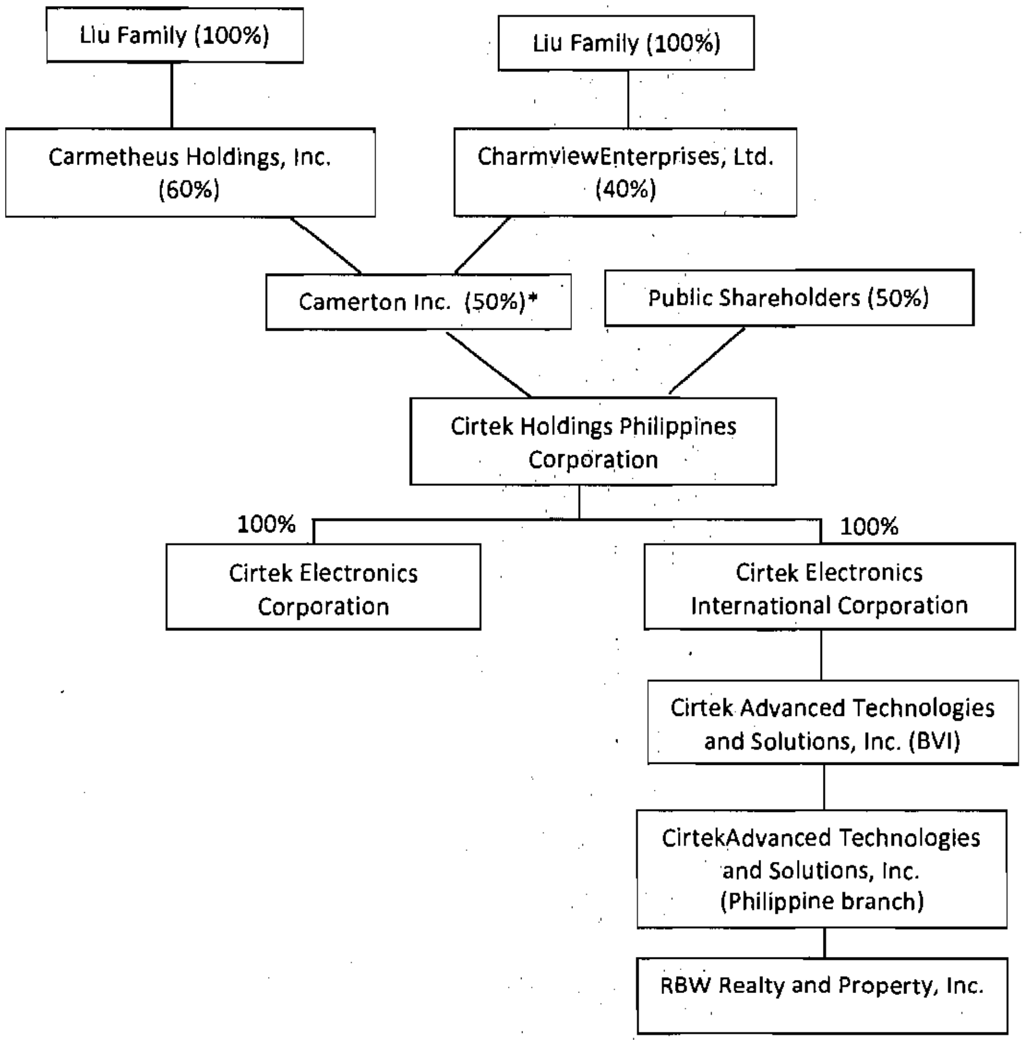
On February 17, 2011, the Company's Board of Directors and Stockholders approved the acquisition from CHI of 155,511,952 common shares (representing 99.99% of the outstanding capital stock) of CEC and 50,000 shares (representing 100% of the outstanding capital) of CEIC. On March 1, 2011, the two (2) 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 2016, the Cirtek Group had total revenues of US$74 million, and net income of US$7.6 million. As of December 31, 2016, the Cirtek Group had total assets of US$122 million and total liabilities of US$97.3million.

CORPORATE STRUCTURE

Corporate Structure



* Camerton has 50% economic interest and 74.4% voting rights

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

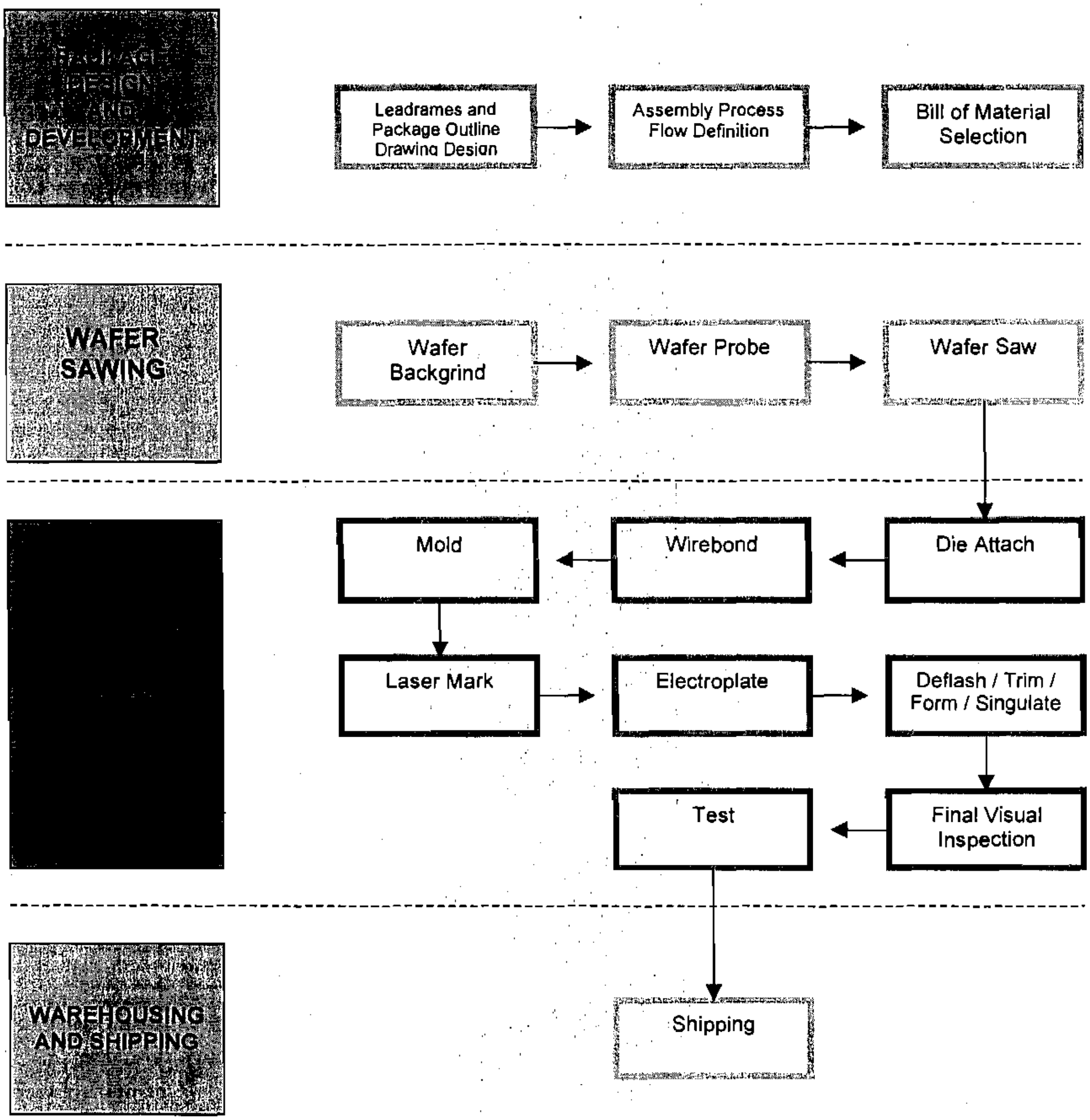
These devices are used in a wide range of power management applications from telecommunications, industrial equipment, portable devices, computers, and networks. These are packaged in SOIC with the die pad exposed.

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 molding 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.

In March 2016, CATS begun commercial shipment to Quintel, a leading innovator of efficient and space-saving base station antennas used for cellular networks.

The following are CATS' major 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.

5. SMART ANTENNAS

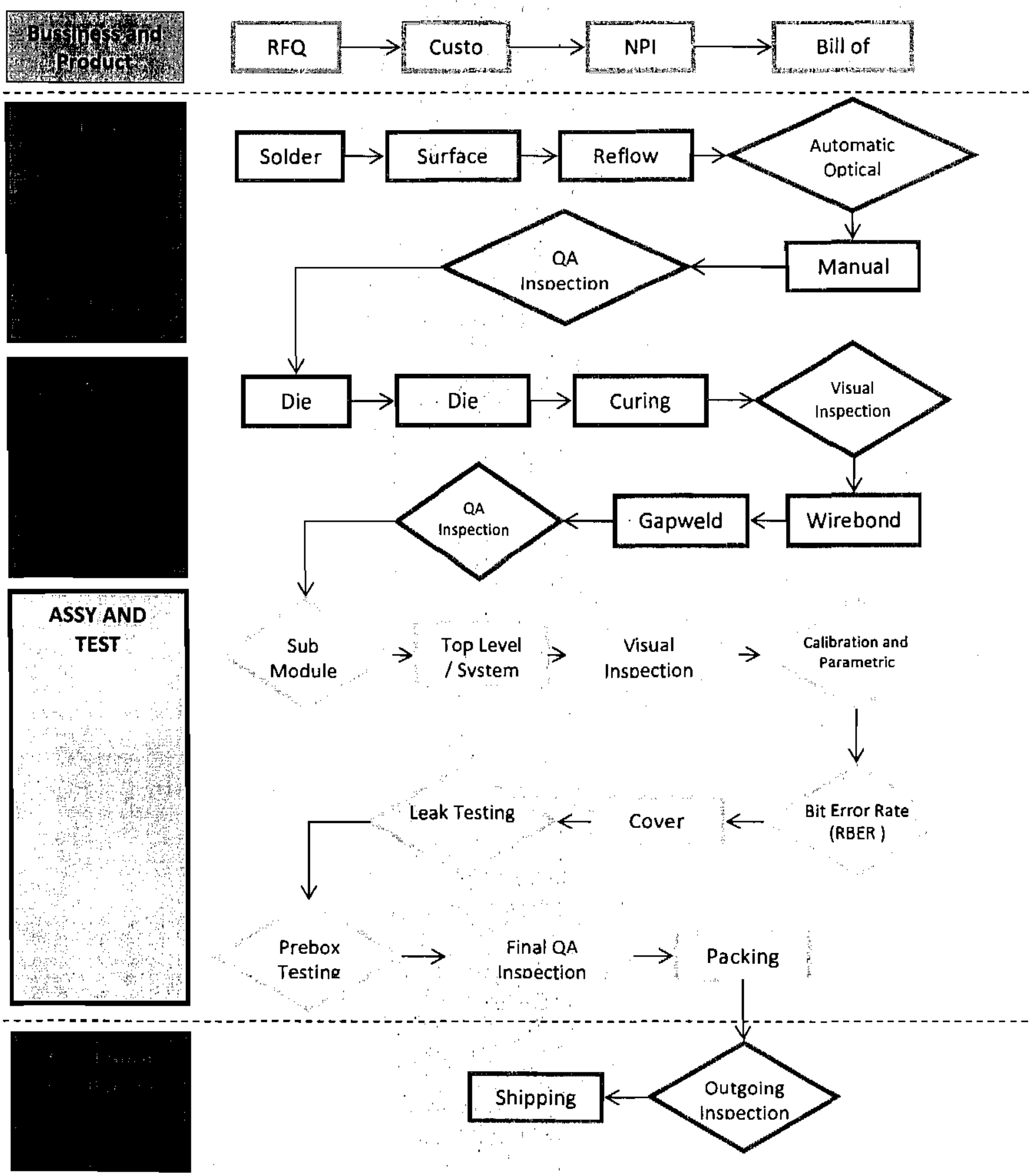
Multi-port. multi-band wireless antennas that are offered with various combinations of ports and lengths. The product supports various access technologies (4G LTE, 3G, 2G).

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.

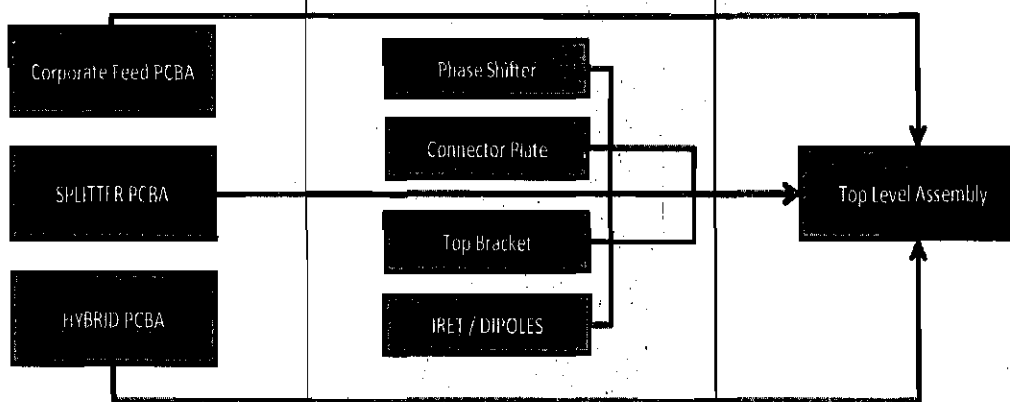
The modules/sub-assembly boards will then undergo test and tune (if required). All passing modules are then integrated to form the ODU (final product) during Top level assembly. System level testing follows (Calibration and Parametric test, Bit Error Rate (BER) Test, etc.). The ODUs should conform to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

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

The figure below illustrates the typical manufacturing process for the production of multiport antennas:

Multiport Antennas Proces flow chart

Reflow PCB Assembly	Sub-assembly	Array/ Marriage / Radome Assembly
This process involves the installation of cable clip and dispensing of solder paste to the PCB manually and will be cured by reflow oven	In this process we will assemble various mechanical parts to form the sub-assembly of the FF: Phase Shifter, Iret, Connector Plate, Top bracket and dipoles	In this process is the integaration of the sub-assembly to create antenna, sub-assembly will be married to the array and will be inserted to a radome and will form the finish product of antenna



PIM TEST	VSWR TEST	Quick Scan test
PIM is the generation of interfering signals caused by nonlinearities in the mechanical components of a wireless system. Two signals mix together (amplitude modulation) to produce sum and difference signals and products within the same band, causing interference.	In this testing process is the measurement of the RF return loss	In this testing process is the measurement of the RF isolation of the antenna

CUSTOMERS

Beginning in 1984 with 3 customers, the Cirtek Group has significantly grown its customer base to over 70 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 2 years.

% Contribution to Revenue Per Region
2015, 2016

	2015	2016
Asia	17%	19
Europe	28%	26
USA	54%	55

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. Neither is the Company reliant on any specific industry since its products have varied applications in different industries. However, in 2016, Quintel contributed 26% of the Company's total revenues.

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 a sales director in the USA and 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 lead frames, 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, 2016, the Cirtek Group has 1,735 regular employees.

Position	Total
Managers and Executives	42
Engineers	40
Administration	39
Other support Cirtek Groups	538
Rank and File	1,094
Total	**2,807**

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 40 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 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 year.

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, 2016.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

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

	2016		2017	
	HIGH	LOW	HIGH	LOW
Q1	20.75	17.20	24.00	22.05
Q2	20.60	15.90		
Q3	24.00	15.40		
Q4	23.40	22.25		

The price of the Corporation's common shares as of March 31, 2017 and April 20, 2017 trading dates were PhP23.7 per share and PhP23.5 per share, respectively.

The number of Shareholders of record as of March 31, 2017 is 27.

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 holding Common Shares as of March 31, 2017

Stockholder Name	Number of Shares Held	Percentage of Shareholding
Camerton, Inc.	208,888,558	49.85
PCD Nominee Filipino	143,816,827	34.32
Cirtek Electronics Corporation	49,371,700	11.78
PCD Nominee Non-Filipino	16,806,610	4.01
Ambrosio J. Makalintal or Maripi A. Makalintal	94,089	.02
Beant Singh Grewal	37,000	.01
Anna Loraine M. Mendoza	17,500	0
Pio Ma. Victor H. Garayblas	15,000	0
Raymond Alvin M. Mendoza	13,100	0
Myra P. Villanueava	2,000	0
Stephen G. Soliven	535	0
Julius Victor Emmanuel D. Sanvictores	145	0
Owen Nathaniel S. Au ITF Li Marcus Au	106	0
Joselito C. Herrera	100	0
Jesus San Luis Valencia	62	0
Dondi Ron R. Limgenco	11	0
Robert Juanchito T. Dispo	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
Nicanor P. Lizares	1	0
Martin Lorenzo	1	0
Ernest Fritz Server	1	0
Total	419,063,353	100

Top 20 Stockholders of Record holding Preferred Shares as of March 31, 2017

Stockholder Name	Number of Shares Held	Percentage of Shareholding
Camerton, Inc.	400,000,000	100
Total	400,000,000	100

Dividends Declaration

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

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

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

Owners of record of more than 5% of the Corporation's voting securities as of March 31 2017:

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	208,888,558	49.85
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	143,816,827	34.32
Common	Cirtek Electronics Corporation	Cirtek Electronics Corporation	Filipino	49,371,700	11.78
Common	Total			402,077,085	95.95%

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

Participant	Number of Shares	Percentage
Guild Securities	67,072,828	19%
Citibank N.A.	27,561,862	6.6%

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
Preferred	Camerton, Inc.	Camerton, Inc.	Filipino	400,000,000	100
Preferred	Total			400,000,000	100%

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 and complex RF, microwave, millimeter wave, and advance antenna systems.

CHPC through its subsidiaries harnesses more than 53 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.

Basis of Presentation, Statement of Compliance, Basis of Consolidation 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 financial assets at FVPL which are carried at fair value. The consolidated financial statements are presented in United States (US) dollars ($), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest US dollar except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2016and 2015 (see Notes 1 and 4):

		Percentage of Ownership			
	Country of	**2016**		2015	
	Incorporation	**Direct**	**Indirect**	Direct	Indirect
CEC	Philippines	**100**	–	100	–
CEIC	British Virgin Islands (BVI)	**100**	–	100	–
CATS (formerly known as RBWI)	BVI	–	**100**	–	100
CATS - Philippine Branch	Philippines	–	**100**	–	100
Remec Broadband Wireless Real Property(RBWRP)	Philippines	–	**100**	–	100

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting
January 1, 2016. These pronouncements are either not applicable to the Group or their adoption did not have a significant impact on the Group's financial position or performance.

- Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 28, Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

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

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3, Business Combinations), to 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.

- 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 income 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.

- Amendments to PAS 1, Presentation of Financial Statements, Disclosure Initiative

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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.

- Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants

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.

- Amendments to PAS 27, Separate Financial Statements, Equity Method In Separate Financial Statements

The amendments 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.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

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

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.

- Amendment to 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 for continuing involvement 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.

- Amendment to 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.

- Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue

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.

- Amendment to 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).

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial

application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.
The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments are not applicable to the Group.

- Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, Revenue from Contracts with Customers

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- PFRS 9, Financial Instruments

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after
January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the
Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not applicable to the Group.

- Amendments to PAS 40, Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are not applicable to the Group.

- Philippine Interpretation on IFRIC 22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The adoption of the interpretation is not expected to have any significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, Leases

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The 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 consolidated 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, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group 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 Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, financial assets at FVPL, HTM investments, AFS financial asset, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet)and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

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 consolidated balance sheet at fair value with gains or losses recognized in the consolidated 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 held for trading or designated at FVPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated 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 or a reclassification of a financial asset out of FVPL.

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

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

As of December 31, 2016and 2015, the Group designated its Investments in Unit Investment Trust Fund (UITF) and Rizal Commercial Banking Corporation (RCBC) Senior Notes as financial assets 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 (EIR) method, less impairment. 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 consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Assets in this category are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As of December 31, 2016 and 2015, the Group has designated as loans and receivables its cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, security deposit, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and '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 EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2016 and 2015, the Group has HTM investments in Philippine government securities.

AFS financial assets

AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or change 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 consolidated statement of comprehensive income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the consolidated statement of comprehensive income.

As of December 31, 2016and 2015, the Group's AFS financial asset pertains to unquoted equity shares of CloudMondo, Ltd.

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 and, in the case of financial liabilities not at FVPL, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, long-term debt and amounts owed to related parties.

Subsequent measurement

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

Financial liabilities at FVPL

Financial liabilities 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 consolidated statement of comprehensive income.

The Group does not have a financial liability at FVPL as of December 31, 2016 and 2015.

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

As of December 31, 2016and 2015, the Group's other financial liabilities includes trade and other payables, short-term loans, amount owed to related parties and long-term debt.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in the consolidated statement of comprehensive income.

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

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

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

Derecognition of Financial Instruments
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized 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. In this case the Group 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 Group 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 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 consolidated statement of 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 are 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 inventories - cost of direct materials and labor and a proportion of manufacturing overhead cost. 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 and work-in-process inventories 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 raw materials, supplies, spare parts and others is the current replacement cost.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost and 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 and borrowing cost 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. Land is carried at cost less any impairment in value.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	
Number of Years	
Machinery and equipment	10-15
Buildings and improvements	5-25
Facility and production tools	5-8
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 balance sheet date.

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 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 Assets 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.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

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 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. Foreign currency exchange differences are included in the determination of borrowing costs to be capitalized, but only to the extent that they are an adjustment to the interest cost on the borrowing.

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 period 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 seven (7) years, which represents their economic useful 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 intangible assets with a finite useful life are reviewed at each balance sheet date. 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 not amortized, but are tested for impairment annually either individually or at the cash-generating unit (CGU) level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. 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; and
- 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, which is estimated to be five (5) to ten (10) years. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39is measured at fair value with changes in fair value recognized either in the consolidated statement of comprehensive income or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

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, advances to suppliers, property, plant and equipment, and other 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 CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or 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 non-financial asset in prior years. Such reversal is recognized in the consolidated statement 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. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

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.

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

Equity Reserve

Equity reserve represents the effect of the application of the pooling-of-interests method.

Treasury Shares

Treasury shares represent reaquired equity instruments, which no gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is charged or credited to APIC.

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income pertains to remeasurements of the Group's retirement benefit obligation and changes in fair value of AFS financial asset.

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 EIR method.

Deferred revenues
Deferred revenues pertain to the unearned income arising from the sale of goods wherein no actual shipment or transfer of risks and rewards to customers has occurred yet. No amortization is done to recognize the earned revenue since the Group will make subsequent reversals upon shipment of the goods to customers.

Costs and Expenses Recognition
Costs and expenses are recognized in the consolidated statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of sales
Cost of sales is recognized when the related sale has met the criteria for recognition.

Operating expenses
Operating expenses are recognized in the consolidated statement of comprehensive income in the period in which they are 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 Benefits 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 the consolidated statement of comprehensive income. 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.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.
When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when, reimbursement is virtually certain.

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

All differences are taken to the 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 of the dates of the initial transactions.

Income Taxes

Current tax

Current 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 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, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits from excess 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 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.

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

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to offset current tax assets against current tax liabilities exist and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred income tax assets and deferred income tax liabilities are offset on a per entity basis.

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 25).

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 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.

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

Results of Operations

For the 12-month period ending December 31, 2016 compared to the 12-month period ending December 31, 2015

Revenue

The Company recorded consolidated revenues of US$74.3 million for the 12 months ending December 31, 2016, an increase of 25% from US$59.1 million for the same period in 2015. The increase was accounted for by the growth of both the Company's semiconductor and Antenna Systems businesses.

Sales per division

In US$ 000	**For the 12 months ended December 31**		
	2016	**2015**	**% Inc / (Dec)**
<u>CEC</u>			
Discrete	12,486	11,296	11
Multichip	9,681	10,163	(5)
IC	9,818	8,119	21
QFN	4,937	5,143	(4)
New Products	5,273	5,415	(3)
Hermetics	1,488	2,083	(29)
<u>CATS</u>			
Cougar	241	329	(27)
Outdoor Unit	6,488	10,200	(36)
Indoor Unit	-	1,691-	(100)
Bridgewave	3,024	2,332	30
IRFU	1,372	2,493	(45)
RMS	127	285	(53)
Antenna Systems	19,387	-	-
Total	**74,322**	**59,549**	**25%**

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 23% to US$61.6 million in the 12 months ending December 31, 2016 from US$50 million for the same period in 2015. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, higher salaries and wages, , depreciation, and increase in inward freight and duties.

- Raw materials, spare parts, supplies and other inventories grew by38% to US$42.4 million for the 12 months ending December 31, 2016 from US$35.0 million for the same period in 2015.
- Salaries, wages and employees' benefits increased by 28% to US$10.5 million for the 12 months ending December 31, 2016, from US$8.2 million for the same period in 2015.
- Utility expenses amounted to US$3.5 million for the 12 months ending December 31, 2016, from US$3.7 million for the same period in 2015, a decrease of 6%Depreciation and amortization increased by 24% to US$2.6 million for the 12 months ending December 31 2016, from US$2.1 million for the same period in 2015.

- Freight and duties increased by 176% to US$2.5 million for the 12 months ending December 31, 2016 from US$899 thousand for the same period in 2015.

The Company's gross margin was 17% for the 12 months ending December 31, 2016, one percentage point higher than the gross margin recorded for the same period in 2015.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2016 amounted to US$4.4 million, 14% higher compared to the US$3.8 million recorded during the same period in 2015.

Net Income (Loss) Before Income Tax

For the 12 months ending December 31, 2016, the Company recorded a net income before income tax of US$8.2 million, an increase of 45% compared with US$5.6 million recorded for the same period in 2015.

Provision for Income Tax

Provision for income tax for the 12 months ending December 31, 2016 amounted to US$547 thousand compared with US$516 thousand for the same period in 2015, an increase of 6%.

Net Income After Tax

The Company's net income for the 12 months ending December 31, 2016 amounted to US$7.6 million, an increase of 49% compared with US$5.1 million for the same period in 2015.

Total Comprehensive Income

The Company's total comprehensive income for the 12 months ending December 31, 2016 amounted to US$7.1 Mn, compared to US$5.3 Mn for the same period in 2015, a 34% increase.

Financial Condition

For the 12-month period ending December 31, 2016 compared to the period ending December 31, 2015

Assets

The Company's cash and cash equivalent for the 12 months ending December 31, 2016 amounted to US$24.5 million, compared with US$29.8 million for the period ending December 31, 2015, a decrease of US$5.3 million or 18%. The decrease was mainly due to the increase in trade receivables and inventories

Trade and other receivables for the 12 months ending December 31, 2016 amounted to US$23.2 million, compared with US$13.7 million for the period ending December 31, 2015, a 69% increase. The increase was mainly due increase in sales and longer AR days for certain key customers.

Inventory levels for the 12 months ending December 31, 2016 amounted to US$15.3 million, 166% higher compared with US$5.7 million for the period ending December 31, 2015. The increase was mainly due to longer lead times for certain major raw materials and ramp up of product volume runners.

Financial assets at fair value through profit and loss refer to short-term investments of the Company. For the 12 months ending December 31, 2016, the Company sold its short-term investments in UITF and RCBC senior notes.

The Company's HTM investments pertain to government bonds which were purchased by the Philippine Branch of CATS in compliance with the Corporation Code for foreign companies to maintain securities with the SEC. Other current assets for the 12 months ending December 31, 2016 totaled US$2.6 million, compared with US$2.5 million for the period ending December 31 2015, an increase of 3%. The change was mainly due to advances to suppliers.

Non-current assets held for sale pertain to the Company's Carmelray property which is being actively marketed for sale.

Non-current assets, comprised of Property, plant and equipment (PPE), Available-for-sale (AFS) financial asset, deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2016 amounted to US$32.7million compared with US$26.9 million for the period ending December 31, 2015, an increase of 21% The increase was mainly due to increase in PPE and non-current assets.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, deferred revenue, income tax payable, provision for warranty. For the 12 months ending December 31, 2016, current liabilities were at US$58.5 million compared with US$30.1 million for the period ending December 31, 2015, a 192% increase. This can be mainly attributed to increase in trade and other receivables, short-term loan, current portion of long-term debt, income tax payable, and provision for warranty.

For the 12 months ending December 31, 2016, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$38.8 million, a 100%% increase compared to US$19.3 million for the period ending December 31, 2015. The increase was mainly due to increase in long-term debt and increase in retirement benefit obligation.

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2016 amounted to US$25.2 million compared with US$71.3 million for the period ending December 31, 2015, a 65% decrease. The decrease in equity was due to acquisition of parent company shares by subsidiary.

Liquidity and Capital Resources

For the 12 months ending December 31, 2016, the Company's principal sources of liquidity was cash from sales of its products, IPO proceeds, bank credit facilities, proceeds from its 5-year corporate notes issuance, and proceeds from its follow-on offering. 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, 2016 and the same period 2015:

In US$ Thousands	**For the 12 months ending December 31**	
	2016	**2015**
Net cash flows provided by/ (used for) operating activities	(1,582)	16,996
Net cash flows provided by/ (used for) investing activities	11,390	(28,900)
Net cash flows provided by/ (used for) financing activities	(14,916)	29,019
Net increase (decrease) in cash equivalents	(5,265)	17,174

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$(1.6) million for the 12 months ending December 31, 2016, compared with US$17.6 million for the same period in 2015.

For the 12 months ending December 31, 2016, net income before tax was US$8.2 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$11.6 million.. Changes in working capital decreased operating income to US$1.6 million. This was mainly due to increase in inventories and receivables, and increase in trade and other payables.

Investing Activities

Net cash from investing activities amounted to US$11.4 million for the 12 months ending December 31, 2016. Investing activities in 2016 mainly involved disposal of financial assets at FVPL, increase in PPA, and increase in other noncurrent assets. acquisition of property, plant and equipment. For the same period in 2015, major investing activities involved investment in financial asset at FVPL, acquisition of property, plant and equipment and AFS financial asset.

Financing Activities

Net cash flow used in financing activities for the 12 months ending December 31, 2016 amounted to US$14.9 million. Major financing activities involved proceeds from availment of short-term loans, proceeds from issuance of corporate notes, less payment of cash dividends, payment of short-term and long-term loans, interest, acquisition by subsidiary of Parent Company Shares, stock issue cost, and net movement in amounts owed by and owed to related parties. For the same period in 2015 financing activities amounted to US$29 million and mainly involved proceed from short-term loans, proceeds from FOO, less payment of cash dividends, interest payments, payments of short term and long term loan and net movement in amounts owed by and owed to related parties.

Material Changes to the Company's Audited Income Statement as of December 31, 2016 compared to the Audited Income Statement as of December 31, 2015 (increase/decrease of 5% or more)

- 25% increase in net sales
  Sales growth for both CEC anf CATS

- 23% increase in cost of sales
  Increase in net sales

- 14% increase in operating expenses
  Higher operating expenses to support expansion of operations

- 45% increase in Net Income Before Tax
  Higher sales, higher gross margins, higher operating margins

- 6% increase in Provision for Income Tax
  Higher taxable income for CEC and CATS

- 49% increase in Net Income After Tax
  Increase in sales, gross profit, and operating income before tax

Material Changes to the Company's Audited Balance Sheet as of December 31, 2016 compared to the Audited Balance Sheet as of December 31, 2015 (increase/decrease of 5% or more)

- 18% decrease in Cash and Cash Equivalent
  Increase in working capital, investments in PPE, investment, purchase by subsidiary of parent company shares

- 69% increase in Trade and Other Receivables – Net
  -Longer payment term for certain key customers

- 166% increase in inventories
  Longer lead times for certain raw materials

- 100% decrease in Financial assets at fair value through profit or loss
  Sale of short-term investments

- 21% increase in Non-current Assets
  Increase in PPE and other non-current assets

- 94% increase in Current Liabilities
  Increase in trade and other receivables, short-term loans, current portion of long-term debt, income tax payable, provision for warranty

- 97% in Non-current Liabilities
  Increase in long-term debt and retirement benefit obligation

- 65% decrease in Total Equity
  Investment by a subsidiary in parent company shares

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2014**	**2015**		**2016**
EBITDA		9,558	8,767		11,862
EBITDA Margin		18%	15%		16%
Sales Growth		18%	15%		25%
Current Ratio (x)		3.5x	3.1 x		1.5x
Earnings per share (US$)		0.017	0.013		0.018

Note:
***Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2014, 2015 and 2016*

- *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.

In US$ 000	For the years ended December 31 2014	2015	2016
Net income	5,844	5,120	7,608
Add back:			
Interest expense/income-net	519	941	995
Provision for income tax	79	516	547
Depreciation and amortization	2,901	2,190	2,712
EBITDA	**9,558**	**8,767**	**11,862**

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

In US$ 000	For the years ended December 31 2014	2015	2016
EBITDA	9,558	8,767	11,862
Deduct:			
Interest expense/(income)	(519)	(941)	(995)
Provision for income tax	(79)	(516)	(547)
Depreciation and amortization	(2,901)	(2,190)	(2,712)
Net Income	**5,844**	**5,120**	**7,608**

- *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$8 Million for capital expenditure for full year 2017, from the proceeds of the Company's Initial Public Offering, Follow-one Offering, Corporate Notes Issuances 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.

Results of Operations

For the 12-month period ending December 31, 2015 compared to the 12-month period ending December 31, 2014

Revenue

The Company recorded consolidated revenues of US$59.5 million for the 12 months ending December 31, 2015, an increase of 15% from US$51.8 million for the same period in 2014. The increase was accounted for by the growth of both the Company's semiconductor and RF/microwave/millimeterwave businesses.

Sales per division

In US$ 000	For the 12 months ended December 31		
	2015	**2014**	**% Inc / (Dec)**
CEC			
Discrete	11,296	10,800	5
Multichip	10,163	9,629	6
IC	8,119	8,556	(5)
QFN	5,143	3,848	34
New Products	5,415	5,221	4
Hermetics	2,083	2,008	4
CATS			
Cougar	329	150	119
Outdoor Unit	10,200	8,003	27
Indoor Unit	1,691	-	-
Bridgewave	2,332	1,534	52
IRFU	2,493	1,009	147
RMS	285	1,034	(72)
Total	**59,549**	**51,792**	**15%**

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 13% to US$50 million in the 12 months ending December 31, 2015 from US$44.3 million for the same period in 2014. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, higher salaries and wages, , and increase in inward freight and duties.

Raw materials, spare parts, supplies and other inventories grew by8% to US$30.7 million for the 12 months ending December 31, 2015 from US$28.4 million for the same period in 2014.

- Salaries, wages and employees' benefits increased by 5% to US$8.2 million for the 12months ending December 31, 2015, from US$7.8 million for the same period in 2014.

  Freight and duties increased by 30% to US$960 thousand for the 12 months ending December 31, 2015 from US$739 thousand for the same period in 2014.

- Other cost of sales increased by 65% to US$845 thousand for the 12 months ending December 31, 2015 from US$513 thousand for the same period in 2014.

The Company's gross margin was 16% for the 12 months ending December 31, 2015, one percentage point higher than the gross margin recorded for the same period in 2014.

Operating Expenses

The Company's operating expenses for the 12 months ending December 31, 2015 amounted to US$3.8 million, 15% higher compared to the US$3.3 million recorded during the same period in 2014.

Net Income (Loss) Before Income Tax

For the 12 months ending December 31 2015, the Company recorded a net income before income tax of US$5.6 million, a decrease of 7% compared with US$6.1 million recorded for the same period in 2014. In 2014, the Company recognized a gain from the excess of the fair market value of net assets over the acquisition cost (RBW acquisition) amounting to US$2.6 million. In terms of core income (i.e. excluding negative goodwill) the Company registered a gain of 35%, with core income at US$5.1 million for the 12 months ending December 31, 2015, compared to US$3.8 million for the same period in 2014.

Provision for Income Tax

Provision for income tax for the 12 months ending December 31 2015 amounted to US$516 thousand compared with US$207 thousand for the same period in 2014, an increase of 149%. This was mainly a result of higher sales generated by CEC and CATS.

Net Income After Tax

The Company's net income for the 12 months ending December 31 2015 amounted to US$5.1 million, a-decrease of 12% compared with US$5.8 million for the same period in 2014.

Financial Condition

For the 12-month period ending December 31, 2015 compared to the period ending December 31, 2014

Assets

The Company's cash and cash equivalent for the 12 months ending December 31, 2015 amounted to US$29.8 million, compared with US$12.6 million for the period ending December 31, 2014, an increase of US$17.2 million or 136%. The increase was mainly due to the proceeds from the follow-on offering completed by the Company in November 2015.

Trade and other receivables for the 12 months ending December 31, 2015 amounted to US$13.8 million, compared with US$14.9 million for the period ending December 31, 2014, an 8% decline. The decrease, despite an increase in the Company's consolidated sales, translates to more efficient collection of receivables in 2015.

Inventory levels for the 12 months ending December 31, 2015 amounted to US$5.7 million, 47% lower compared with US$10.8 million for the period ending December 31, 2014. The decrease was mainly due to reduction in work in process 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, 2015, short term investments amounted to US$19.4 million compared with US$702 thousand for the period ending December 31 2014, an increase of 26.7x. The increase was due to certain portion of proceeds from the Company's FOO placed in short-term investments until the funds are utilized.

Other current assets for the 12 months ending December 31, 2015 totaled US$2.5 million, compared with US$1.8 million for the period ending December 31 2014, 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), Available-for-sale (AFS) financial asset, deferred income taxes and other noncurrent assets for the 12 months ending December 31, 2015 amounted to US$26.9 million compared with US$19.1 million for the period ending December 31, 2014, an increase of 41%. The increase was mainly due to increase in PPE and AFS financial asset.

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, 2015, current liabilities were at US$30.1 million compared with US$16.3 million for the period ending December 31, 2014, an 84% 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, 2015, the Company's non-current liabilities, comprised of long-term debt – net of current portion and deferred financing costs and retirement benefit obligation, amounted to US$20.9 million, a 24% decrease compared to US$25.3 million for the period ending December 31, 2014. The increase was mainly due to decrease in long-term debt and retirement benefit obligation.

Equity

The Company's shareholders' equity as of the 12 months ending December 31, 2015 amounted to US$71.2 million compared with US$35 million for the period ending December 31, 2014, a 100% increase. The increase in equity was due to additional paid-in capital and profits recorded by the Company in 2015, less cash dividends paid out during the year.

Liquidity and Capital Resources

For the 12 months ending December 31, 2015, the Company's principal sources of liquidity was cash from sales of its products, IPO proceeds, bank credit facilities, proceeds from its 5-year corporate notes issuance, and proceeds from its follow-on offering. 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, 2015 and the same period 2014:

In US$ Thousands	For the 12 months ending December 31	
	2015	**2014**
Net cash flows provided by/ (used for) operating activities	16,973	3,851
Net cash flows provided by/ (used for) investing activities	(28,900)	(1,642)
Net cash flows provided by/ (used for) financing activities	29,041	3,320
Net increase (decrease) in cash equivalents	17,174	5,578

Net Cash Flows from Operating Activities

Net cash flow provided by operating activities was US$17 million for the 12 months ending December 31, 2015, compared with US$3.9 million for the same period in 2014.

For the 12 months ending December 31, 2015, net income before tax was US$5.6 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$8.4 million. Changes in working capital increased operating income to US$17.7 million. This was mainly due to decrease in inventories and receivables, and increase in trade and other payables.

Investing Activities

Net cash used in investing activities amounted to US$28.9 million for the 12 months ending December 31, 2015. Investing activities on 2015 mainly involved investment in financial assets at FVPL, AFS financial asset, and acquisition of property, plant and equipment. For the same period in 2014, major investing activities involved investment in financial asset at FVPL, acquisition of property, land and equipment and net payment for acquisition of REMEC.

Financing Activities

Net cash flow from financing activities for the 12 months ending December 31, 2015 amounted to US$29 million. Major financing activities involved proceeds from availment of short-term loan, proceeds from issuance of common stock and preferred stock, less payment of cash dividends, payment of short-term and long-term loans, interest and stock issue cost, and net movement in amounts owed by and owed to related parties. For the same period in 2014 financing activities amounted to US$3.3 million and mainly involved proceed from short-term loan and long-term debt, less payment of cash dividends, interest payments, payments of short term and long term loan and net movement in amounts owed by and owed to related parties.

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

- 15% increase in net sales
  Sales growth for both CEC and CATS

- 13% increase in cost of sales
  Increase in net sales

- 15% increase in operating expenses
  Full-year consolidation of CATS operating expenses

- 7% decrease in Net Income Before Tax
  Net Income in 2014 was significantly boosted by negative goodwill (gain from the excess of the fair market value of net assets over the acquisition cost [Remec acquisition]).

- 149% increase in Provision for Income Tax
  Higher taxable income for CEC and CATS

- 12% decrease in Net Income After Tax
  In 2014, Net Income was significantly boosted by negative goodwill (gain from the excess of the fair market value of net assets over the acquisition cost (Remec acquisition)

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

- 136% increase in Cash and Cash Equivalent
  Proceeds from the Company's follow-on offering

- 8% decrease in Trade and Other Receivables – Net
  -Improved collection efficiency

- 47% decrease in inventories
  Reduction in work in process inventory

- 26.7x increase in Financial assets at fair value through profit or loss
  Certain portion of proceeds from the Company's FOO placed in short-term investments until the funds are utilized

- 41% increase in Non-current Assets
  Increase in PPE and AFS financial assets

- 84% increase in Current Liabilities
  Increase in trade and other receivables, short-term loan and current portion of long-term debt

- 24% decrease in Non-current Liabilities
  Decrease in long-term debt and retirement benefit obligation

- 100% increase in Total Equity
  Additional paid-in capital and profits recorded by the Company in 2015, less cash dividends paid out during the year

KEY PERFORMANCE INDICATORS

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

Amounts in thousand US$, except ratios, and where indicated		**2013**	**2014**		**2015**
EBITDA		7,492	9,558		8,767
EBITDA Margin		17%	18%		15%
Sales Growth		8%	18%		15%
Current Ratio (x)		5 x	3.5 x		3.1x
Earnings per share (US$)		0.014	0.070		0.013

Note:
***Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2013, 2014 and 2015*

- *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	**2013**	**2014**	**2015**
Net income	4,637	5,844	5,120
Add back:			
Interest expense/income-net	285	519	941
Provision for income tax	260	79	516
Depreciation and amortization	2,310	2,901	2,190
EBITDA	**7,492**	**9,558**	**8,767**

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	**2013**	**2014**	**2015**
EBITDA	7,492	9,558	8,767
Deduct:			
Interest expense/(income)	(285)	(519)	(941)
Provision for income tax	(260)	(79)	(516)
Depreciation and amortization	(2,310)	(2,901)	(2,190)
Net Income	**4,637**	**5,844**	**5,120**

- *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$8 Million for capital expenditure for full year 2016, 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 2016.

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

None.

ITEM 9 INDEPENDENT ACCOUNTANT AND AUDIT RELATED FEES

a. The Public Accountant

The Corporation's public accountant is the accounting firm Sycip Gorres Velayo & Co ("SGV"). They are being recommended once again for election, approval, and ratification for the current fiscal year. As of December 31, 2015, SGV has been the Corporation's external auditor for five years with Mr. Ladislao Z. Avila, Jr. as the Partner-in-Charge for the audit years 2011 to 2015. The Corporation, in compliance with SRC Rule 68, paragraph 3 (b) (iv) re: compliance with the five (5) year rotation requirement for external auditors, has requested for a new Partner-in-Charge from SGV to handle its accounts. Mr. Martin C. Guantes has been assigned by SGV as Part-in-Charge effective 2015 Audit.

Representatives from SGV attend the Annual Meeting of the Stockholders of the Corporation and are given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions.

b. External Audit Fees and Services

Audit and Audit-Related Fees	2016	2015
Regular audit	₱ 1,100,000	₱ 950,000
Special audit	₱ 9,100,000	₱ 700,00
Other fees (out-of-pocket expenses)	₱ -	₱ -
Total Audit and Audit-related Fees	₱_10,200,00	₱_1,650,000

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Except for Mr. Roberto Juanchito T. Dispo, who was elected as Director, President and Vice Chairman of the Corporation, the rest of the Directors and officers named herein have served in their respective positions since May 11 2015. 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 Officers were elected by the Board of Directors at the organizational meeting of the Board on May 11 2016. The Board also elected during the said meeting the chairman and members of the Audit Committee, the Nominations Committee, and the Compensation Committee.

The following is a brief profile of the Corporation's Directors and Officers for the year 2016-2017as well as the nominees for the year 2017-2018.

Regular and Independent Directors.

Jerry Liu, 69 years old was elected as the Corporation's Chairman and President on 25 May 2012. He is currently the Chairman of the Corporation. He is also 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.

Roberto Juanchito T. Dispo, 52 years old was elected Vice Chairman and Director of the Corporation on 4 January 2016 and also as President of the Corporation on 27 May 2016. Mr. Dispo is also Vice Chairman of Cosco Capital, and sits on the Board of PB Com Bank and Axa Philippines. Prior to joining the Corporation, Mr. Dispo was President and Director of First Metro Investment Corporation. Mr. Dispo holds BSC Economics and Business Management from San Sebastian College and Pamantasan ng Lungsod ng Maynila, respectively. He also completed Masters in Business Administration and Masters in Business Economics from Pamantasan ng Lungsod ng Maynila and the University of Asia & the Pacific, respectively.

Nicanor Lizares, 53 years old was elected as a director of the Corporation on 17 February 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, 49 years old was elected as the Corporation's Treasurer and Chief Financial Officer on 17 February 2011. He is concurrently the CFO of CEC, CEIC and the Figaro Coffee Corporation. Prior to joining the Corporation, 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.

Rafael G. Estrada, 64 years old, 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, 51 years old was elected as an Independent Director of the Corporation on 17 February 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. He also served as Chairman, President and CEO of Macondray & Co., Inc., Chairman and President of First Lucky Property Holdings, Chairman and President of First Lucky Property Corporation and Marlor Investment Corporation. 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, 73 years old, was elected as an Independent Director of the Corporation on 17 February 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, Chairman of Arrakis Holdings, Inc., President of Seacage Industries, Inc., President of West Properties, Inc., President of Superior Las Pinas, Inc., a director of ABS CBN Convergence, Inc. and a director of BJS Development Corp. Previously, Mr. Server served as Vice Chairman of the Commercial Bank of Manila, Consumer Bank and Cosmos Bottling Corporation, President of Philippine Home Cable Holdings, Inc. and Philam Fund, and a director of Philippine Township, Inc.. 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.

Michael Stephen T. Liu, 32 years old, is currently the General Manager of Cirtek Advanced Technology and Solutions (CATSI) a Cirtek company catering to the telecom and wireless broadband space. He was first elected as Director on 11 May 2015. Mr. Liu obtained his degree in Electronics and Communications Engineering from De La Salle University in 2007 and is a licensed Electrical Engineer.

Brian Gregory T. Liu, 30 years old, has been the Assistant Corporate Secretary of the Corporation since March 2011. He was first elected as Director on 11 May 2015. 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.

Justin T. Liu, 35 years old, is President and Director of Figaro Coffee Systems, Inc. Mr. Liu graduated from the De La Salle University with a Bachelor of Science in Business Management and earned his Masters in Finance from the University of San Francisco in 2006.

Eduardo Lizares, 60 years old, is currently Partner at Padilla Law Office and Professorial Lecturer on Constitutional Law at the University of the Philippines. Atty. Lizares holds a Bachelor of Arts degree for De La Salle University, Bachelor of Laws degree from the University of the Philippines, and a Master of Laws degree from Harvard Law School, Harvard University.

Hector Villanueva, 81 years old, has held senior positions in both private and public sectors. He was Chairman of the Board of First Metro Philippine Equity Exchange Traded Fund, Inc., Postmaster General and CEO of Philippine Postal Corporation, Member of the Advisory Board, First Metro Investment Corporation, and Publisher and Editor-in-Chief, Sun Star Manila, among others. Mr. Villanueva was also Cabinet Secretary from 1995-1998. Mr. Villanueva obtained a Bachelor of Science degree in Economics from the London School of Economics and Political Science, and post-graduate studies from Royal Institute of Bankers, United Kingdom.

Independent Directors

The nominees for Independent Directors of the Corporation for the year 2017-2018 are:

1. Ernest Fritz Server,

2. Eduardo Lizares, and
3. Hector Villanueva

They have been nominated by Jerry Liu, current Chairman of the Corporation. Jerry Liu has no relationship with the nominee Independent Director. Ernest Fritz Server has been an Independent Director of the Corporation since 17 February 2011. In accordance with the Securities and Exchange Memorandum Circular No. 19, Series of 2016, Ernest Fritz Server may serve as Independent Director until 2021 while either Hector Villanueva or Eduardo Lizares mat served as Independent Director of the Corporation until 2026.

Key Officer

Tadeo Hilado, 64 years old, Filipino, was elected as the Corporation's Corporate Secretary on 17 February 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., Univation Motor Philippines, Inc., Nissan Autoparts Manufacturing Corporation, Sumisetsu Philippines, Inc., Samsonite Philippines, Inc., Vitarich Corporation, 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.

ITEM 11 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:

For 2016

Name & Position	Year	Salary	Estimated Bonus
Jerry Liu (President) Anthony Buyawe (CFO) Domingo Bonifacio (President CATS) Rolando Enriquez (Vice President CATS) Jorge Aguilar (President CEC	2016	₱40.0 million	₱8 million
Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2016	₱45 million	₱10 million

For 2017

Name & Position	Year	Estimated Salary	Estimated Bonus
Jerry Liu (Chairman) Roberto Juanchito Dispo (President) Anthony Buyawe (CFO) Rolando Enriquez (Vice President CATS) Jorge Aguilar (President CEC)	2017	₱42 million	₱8.4 million

Aggregate compensation paid to all officers and directors as a Cirtek Group unnamed	2017	₱48 million	₱12 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 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 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Owners of record of more than 5% of the corporation's voting securities as of 31 March 2017:

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	208,888,558	49.85
Common	PCD Nominee Corporation	PCD Nominee Corporation	Filipino	143,816,827	34.32
Common	Cirtek Electronics Corporation	Cirtek Electronics Corporation	Filipino	49,371,700	11.78
Common	Total			402,077,085	95.95%

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
Preferred	Camerton, Inc.	Camerton, Inc.	Filipino	400,000,000	100
Preferred	Total			400,000,000	100%

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

Participant	Number of Shares	Percentage
Guild Securities	67,072,828	19%
Citibank N.A.	27,561,862	6.6%

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 2017 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	Roberto Juanchito Dispo	1	Filipino	0.0000
Common	Martin Lorenzo	1	Filipino	0.0000
Common	Ernest Fritz Server	1	Filipino	0.0000
Common	Michael Stephen Liu	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 13 Certain Relationships and Related Transactions

The Liu family, primarily through Camerton, Inc., is the largest shareholder in the Corporation, and as of March 31 2016 owns 208,888,558 shares, or approximately 49.85% of the Corporation's issued and outstanding common shares.

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

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

a. Advances for operating requirements of 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; and
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 comprehensive income include the following significant account balances resulting from the above transactions with related parties:

a. Amounts owed to related parties

		Transactions		Balances as of			
		2016	2015	**2016**	2015	Terms	Conditions
Other related parties							
CLC	Rental	**$12,776**	$13,515	**$446,970**	$434,194	Due on demand; non-interest bearing	Unsecured
Cayon	Rental	**11,690**	12,025	**73,182**	61,492	Due on demand; non-interest bearing	Unsecured
				$520,152	$495,686		

b. Amounts owed by related parties

		Transactions		Balances as of			
		2016	2015	**2016**	2015	Terms	Conditions
Other related parties							
Camerton	Reimbursement of expenses	**$78,833**	$–	**$111,994**	$33,161	Due on demand; non-interest bearing	Unsecured; no impairment
CHI	Advances for working capital	**–**	–	**1,809,256**	1,809,256	Due on demand; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	**–**	–	**206,284**	206,284	Due on demand; non-interest bearing	Unsecured; no impairment
Jerry Liu	Reimbursement of expenses	**1,750,990**	5,483,674	**10,309,041**	8,558,051	Due on demand; non-interest bearing	Unsecured; no impairment
				$12,436,575	$10,606,752		

c. Rental deposit

	Transactions		Balances as of			
	2016	2015	**2016**	2015	Terms	Conditions
Other related parties						
CLC	**$–**	$–	**$1,131,399**	$1,131,399	Due on demand; non-interest bearing	Unsecured; no impairment

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

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 CHPC.

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 as of March 17, 2011 (see Note 28).

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

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

Transactions with Camerton
Camerton is the majority shareholder of the Parent Company. Amounts owed by Camerton as of December 31, 2016 and 2015 pertain mainly to working capital advances and advances for incorporation expenses of Camerton.

Transactions with CLC and Cayon

CLC is an entity under common control of the ultimate parent company. 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 P=640,704 rent per annum for a period of 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$12,777, $13,515 and$14,434in 2016, 2015 and 2014, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of P=582,144 for a period of 10 years and renewable thereafter. Total rent expense charged to operations amounted to $11,690,$12,025 and$13,114 in2016, 2015 and 2014, 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.

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 including the schedules attached therein, for the years ended December 31, 2016, and 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JERRY LIU
Chairman of the Board

ROBERTO JUANCHITO T. DISPO
President

ANTHONY S. BUYAWE
Chief Financial Officer & Treasurer

APR 2 4 2017 MAKATI CITY

SUBSCRIBED AND SWORN to before me this ____ day of April 2017, affiants *exhibiting to me the following:*

Name	Competent Evidence of Identity
Jerry Liu	Passport No. 307391456 issued in China, valid until 1 July 2023
Roberto Juanchito T. Dispo	Passport No. EB8527897 issued in Manila, valid until 30 June 2018
Anthony S. Buyawe	Passport No. EC8472013 issued in Manila, valid until 1 August 2021

Doc. No. 457;
Page No. 89;
Book No. 554;
Series of 2017.

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST. MAKATI CITY
IBP NO. 1052369 / CY 2015 APPT. NO. M. 17
ROLL NO. 28947 / MCLE- 4 NO. 0006324 / 11-22-16
PTR NO. MKT. 5509552 / 1-3-17 MAKATI CITY

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: CS201102137

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	CFD	

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Cirtek Holdings Philippines Corporation (the Company), which comprise the parent company balance sheets as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

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

SGV
Building a better working world

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

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

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

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

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

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

SGV
Building a better
working world

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 17 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Cirtek Holdings Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

April 12, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION

PARENT COMPANY BALANCE SHEETS

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$13,322,629	$17,260,582
Amounts owed by related parties (Note 11)	97,931,908	44,692,827
Financial asset at fair value through profit and loss (FVPL) (Note 5)	–	8,767,580
Other current assets	5,314	157,786
Total Current Assets	111,259,851	70,878,775
Noncurrent Assets		
Available-for-sale (AFS) financial asset (Note 7)	1,667,000	1,667,000
Investments in subsidiaries (Note 6)	5,981,499	5,981,499
Property and equipment	67,757	84,696
Total Noncurrent Assets	7,716,256	7,733,195
TOTAL ASSETS	$118,976,107	$78,611,970
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses (Note 8)	$157,059	$133,451
Short-term loans (Note 9)	8,852,857	4,500,000
Current portion of long-term debt - net of deferred financing cost (Note 10)	6,882,126	3,433,849
Amounts owed to related parties (Note 11)	19,937,731	10,265,290
Total Current Liabilities	35,829,773	18,332,590
Noncurrent Liability		
Long-term debt - net of current portion and deferred financing cost (Note 10)	36,977,845	14,161,371
Total Liabilities	72,807,618	32,493,961
Equity (Note 14)		
Common stock	9,594,321	9,594,321
Preferred stock - net of subscription receivable	221,239	221,239
Additional paid-in capital	35,896,893	35,896,893
Retained earnings	456,036	405,556
Total Equity	46,168,489	46,118,009
TOTAL LIABILITIES AND EQUITY	$118,976,107	$78,611,970

See accompanying Notes to Parent Company Financial Statements

CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Parent Company Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

See accompanying Notes to Parent Company Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

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

See accompanying Notes to Parent Company Financial Statements.

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.

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

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

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

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

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

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

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

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

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

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

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

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accouting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments do not have any impact on the Parent Company's financial position and results of operation. The Parent Company will include the required disclosures in its 2017 parent company financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  The amendments do not have any impact on the Parent Company's financial position and results of operation. The Parent Company will include the required disclosures in its 2017 parent company financial statements.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The amendments will not have any impact on the Parent Company.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Parent Company.

- PFRS 15, *Revenue from Contracts with Customers*

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

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

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not applicable to the Parent Company.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not applicable to the Parent Company.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The adoption of PFRS 16 is not expected to have a significant impact on the Parent Company.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

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

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

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, AFS financial asset, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Parent Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such classifications at every reporting date.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Parent Company does not have any HTM investments as of December 31, 2016 and 2015.

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

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

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

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

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

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

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

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

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

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

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

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

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the parent company balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

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

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

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

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

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

Impairment of Financial Assets

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

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

Financial assets carried at amortized cost

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

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

Financial assets carried at cost

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

Derecognition of Financial Instruments

Financial assets

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

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

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

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

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

Financial liabilities

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

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

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

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

Expenditures, such as repairs and maintenance, incurred after the property and equipment have been put into operations are normally charged to the parent company statement of comprehensive income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

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

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

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

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

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

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

An assessment is made at least on each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Capital Stock

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

Retained Earnings

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

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

Revenue Recognition

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

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

Dividend income

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

Interest income

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

Costs and Expenses

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

Leases

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

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

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

Parent Company as a lessee

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

Foreign Currency-denominated Transactions and Translations

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

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

Income Taxes

Current income tax

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

Deferred income tax

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

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 AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
25	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
Anthony Albert S. Buyawe	as.buyawe@cirtek.ph	N/A	N/A

CONTACT PERSON's ADDRESS

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Cirtek Holdings Philippines Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Presentation and Valuation of Noncurrent Assets Held for Sale

Land, building and related improvements valued at $11.41 million as of December 31, 2016 have been classified as held for sale since 2014, as disclosed in Note 11 to the consolidated financial statements.

Assessing whether noncurrent assets may continue to be classified as held for sale even if such assets were not sold during the initial one-year period involves management's judgment and requires management to provide evidence that they are committed to selling the assets.

Noncurrent assets held for sale are stated at the lower of carrying amount and fair value less costs to sell. Estimating fair value requires the assistance of an external appraiser whose calculations involve certain assumptions, such as sales price and adjustments to sales price based on internal and external factors. Determining fair value and related costs to sell requires management to make judgments regarding the appropriate valuation methodology and involves estimation based on available inputs.

Audit response

We inquired from management the circumstances that caused the delay of the sale of the assets, as well as actions taken by management to respond to these circumstances. We also obtained relevant information from management's property consultants that supports management's commitment to its plan to sell these assets. For the assessment of the lower of carrying amount and fair value less costs to sell, we tested the calculation performed by management. For the fair value, we involved our internal specialist in the review of the methodology and assumptions used by an external appraiser in determining the fair value. We evaluated the competence, capabilities and objectivity of the external appraiser. We compared the assumptions used, specifically the sales price of comparable properties, against relevant external information. We inquired from the external appraiser the basis of adjustments made to the sales price. For the related costs to sell, such as marketing expenses, brokerage fees and relevant taxes, we evaluated the basis of the estimated costs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Andit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kristopher S. Catalan.

SYCIP GORRES VELAYO & CO.

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

April 12, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**$24,511,493**	$29,776,866
Trade and other receivables (Note 6)	**23,172,423**	13,749,783
Inventories (Note 7)	**15,281,893**	5,737,068
Amounts owed by related parties (Note 17)	**12,436,575**	10,606,752
Held-to-maturity (HTM) investments (Note 10)	**371,520**	521,215
Financial assets at fair value through profit or loss (FVPL) (Note 8)	**503**	19,447,248
Other current assets (Note 9)	**2,618,370**	2,534,181
	78,392,777	82,373,113
Noncurrent assets held for sale (Note 11)	**11,408,611**	11,408,611
Total Current Assets	**89,801,388**	93,781,724
Noncurrent Assets		
Property, plant and equipment (Note 11)	**28,675,910**	23,841,532
Available-for-sale (AFS) financial asset (Note 12)	**1,667,000**	1,667,000
HTM investments (Note 10)	**–**	368,574
Deferred income tax assets - net (Note 23)	**174,578**	135,555
Other noncurrent assets (Note 13)	**2,170,859**	893,853
Total Noncurrent Assets	**32,688,347**	26,906,514
TOTAL ASSETS	**$122,489,735**	$120,688,238
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**$19,135,593**	$13,385,642
Short-term loans (Note 15)	**31,625,945**	10,835,088
Current portion of long-term debt (Note 16)	**6,882,126**	5,303,642
Amounts owed to related parties (Note 17)	**520,152**	495,686
Income tax payable (Note 23)	**327,656**	123,794
Total Current Liabilities	**58,491,472**	30,143,852
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	**36,977,845**	17,912,779
Retirement benefit obligation (Note 21)	**1,807,847**	1,357,811
Deferred income tax liabilities - net (Note 23)	**3,373**	–
Total Noncurrent Liabilities	**38,789,065**	19,270,590
Total Liabilities	**97,280,537**	49,414,442
Equity		
Common stock (Note 28)	**9,594,321**	9,594,321
Preferred stock (Note 28)	**221,239**	221,239
Additional paid-in capital	**35,896,893**	35,896,893
Equity reserve	**4,138,375**	4,138,375
Other comprehensive income	**40,329**	526,420
Retained earnings (Note 28)	**24,884,576**	20,896,548
	74,775,733	71,273,796
Parent Company shares held by a subsidiary (Note 28)	**(49,566,535)**	–
Total Equity	**25,209,198**	71,273,796
TOTAL LIABILITIES AND EQUITY	**$122,489,735**	$120,688,238

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET SALES	$74,322,312	$59,548,534	$51,792,081
COST OF SALES (Note 18)	(61,566,107)	(49,981,847)	(44,251,335)
GROSS PROFIT	12,756,205	9,566,687	7,540,746
OPERATING EXPENSES (Note 19)	(4,353,603)	(3,820,676)	(3,328,456)
FINANCIAL INCOME (EXPENSES)			
Interest income (Notes 5, 8 and 10)	380,095	385,973	42,563
Interest expense (Notes 15 and 16)	(1,375,227)	(1,327,413)	(565,460)
	(995,132)	(941,440)	(522,897)
OTHER INCOME - Net (Note 22)	747,890	831,945	2,361,516
INCOME BEFORE INCOME TAX	8,155,360	5,636,516	6,050,909
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	559,457	475,638	202,011
Deferred	(12,125)	39,998	4,814
	547,332	515,636	206,825
NET INCOME	7,608,028	5,120,880	5,844,084
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 21)	(486,091)	208,841	383,993
TOTAL COMPREHENSIVE INCOME	$7,121,937	$5,329,721	$6,228,077
Basic/Diluted Earnings Per Share (Note 24)	$0.018	$0.013	$0.017

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, 2016, 2015 AND 2014

	Common Stock			Additional		Other		Parent Company	
	Issued	Undistributed Stock Dividends	Preferred Stock	Paid-in Capital	Equity Reserve	Comprehensive Income (Loss)	Retained Earnings	Shares Held by a Subsidiary	Total
BALANCES AT DECEMBER 31, 2013	$6,559,066	$–	$–	$4,733,511	$4,138,375	($66,414)	$15,165,652	$–	$30,530,190
Net income for the year, as previously reported	–	–	–	–	–	–	6,541,692	–	6,541,692
Restatement due to finalization of purchase price allocation (Note 4)	–	–	–	–	–	–	(697,608)	–	(697,608)
Net income for the year, as restated	–	–	–	–	–	–	5,844,084	–	5,844,084
Other comprehensive income	–	–	–	–	–	383,993	–	–	383,993
Total comprehensive income	–	–	–	–	–	383,993	5,844,084	–	6,228,077
Cash dividends declared and paid at $0.00428 per share	–	–	–	–	–	–	(1,200,000)	–	(1,200,000)
Declaration of stock dividends	644,803	689,265	–	–	–	–	(1,334,068)	–	–
Cash dividends declared at $0.00214 per share	–	–	–	–	–	–	(600,000)	–	(600,000)
BALANCES AT DECEMBER 31, 2014	7,203,869	689,265	–	4,733,511	4,138,375	317,579	17,875,668	–	34,958,267
Net income for the year	–	–	–	–	–	–	5,120,880	–	5,120,880
Other comprehensive income	–	–	–	–	–	208,841	–	–	208,841
Total comprehensive income	–	–	–	–	–	208,841	5,120,880	–	5,329,721
Issuance of additional capital stock:									
Common stock (Note 28)	1,701,187	–	–	32,322,545	–	–	–	–	34,023,732
Preferred stock (Note 28)	–	–	221,239	–	–	–	–	–	221,239
Stock issue costs (Note 28)	–	–	–	(1,159,163)	–	–	–	–	(1,159,163)
Issuance of stock dividends (Note 28)	689,265	(689,265)	–	–	–	–	–	–	–
Cash dividends declared at $0.003893 per common stock (Note 28)	–	–	–	–	–	–	(1,200,000)	–	(1,200,000)
Cash dividends declared at $0.002628 and $0.000022 per common and preferred stock, respectively (Note 28)	–	–	–	–	–	–	(900,000)	–	(900,000)
BALANCES AT DECEMBER 31, 2015	$9,594,321	$–	$221,239	$35,896,893	$4,138,375	$526,420	$20,896,548	$–	$71,273,796

(Forward)

	Common Stock		Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income (Loss)	Retained Earnings	Parent Company Shares Held by a Subsidiary	Total
	Issued	Undistributed Stock Dividends							
Net income for the year	$–	$–	$–	$–	$–	$–	$7,608,028	$–	$7,608,028
Other comprehensive income	–	–	–	–	–	(486,091)	–	–	(486,091)
Total comprehensive income	–	–	–	–	–	(486,091)	7,608,028	–	7,121,937
Cash dividends declared at $0.0050 and $0.000021 per common and preferred stock, respectively (Note 28)	–	–	–	–	–	–	(2,100,000)	–	(2,100,000)
Cash dividends declared at $0.00362 and $0.000001 per common and preferred stock, respectively (Note 28)	–	–	–	–	–	–	(1,520,000)	–	(1,520,000)
Acquisition by subsidiary of the Parent Company's shares (Note 28)	–	–	–	–	–	–	–	(49,566,535)	(49,566,535)
BALANCES AT DECEMBER 31, 2016	$9,594,321	$–	$221,239	$35,896,893	$4,138,375	$40,329	$24,884,576	($49,566,535)	$25,209,198

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$8,155,360**	$5,636,516	$6,050,909
Adjustments for:			
Depreciation and amortization (Note 11)	**2,711,632**	2,190,004	2,900,520
Interest expense (Notes 15 and 16)	**1,375,227**	1,327,413	565,460
Interest income (Notes 5, 8 and 10)	**(380,095)**	(385,973)	(42,563)
Change in fair value of financial assets at FVPL (Notes 8 and 22)	**–**	(293,349)	184,985
Gain on disposal of financial assets at FVPL (Note 22)	**(262,332)**	–	–
Movement in net retirement benefit obligation (Note 21)	**34,812**	6,561	179,765
Excess of the fair value of net assets acquired over the aggregate consideration transferred (Note 4)	**–**	–	(2,041,059)
Net unrealized foreign exchange gains	**(19,282)**	(78,835)	(28,054)
Operating income before working capital changes	**11,615,322**	8,402,337	7,769,963
Decrease (increase) in:			
Inventories	**(9,544,825)**	5,031,613	3,414,890
Trade and other receivables	**(9,508,529)**	1,080,734	(7,312,607)
Other current assets	**(79,881)**	(663,070)	107,565
Increase (decrease) in trade and other payables	**5,823,431**	3,631,226	(138,433)
Cash generated from (used in) operations	**(1,694,482)**	17,482,840	3,841,378
Interest received	**465,984**	228,187	31,704
Income taxes paid	**(353,536)**	(715,139)	(22,004)
Net cash from (used in) operating activities	**(1,582,034)**	16,995,888	3,851,078
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 11)	**(7,546,010)**	(9,016,368)	(1,860,794)
Financial assets at FVPL	**–**	(18,494,471)	7,353,292
AFS financial asset	**–**	(1,667,000)	–
Proceeds from disposal of financial assets at FVPL	**19,709,049**	–	–
Redemption of HTM investments	**518,269**	209,453	–
Decrease in other noncurrent assets	**(1,291,781)**	68,651	39,231
Net payment for the acquisition of REMEC entities (Note 4)	**–**	–	(7,173,926)
Net cash from (used in) investing activities	**$11,389,527**	($28,899,735)	($1,642,197)

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term loans (Note 15)	$22,080,857	$11,135,088	$3,300,000
Long-term debt (Note 16)	30,000,000	–	10,000,000
Proceeds from issuance of:			
Common stock	–	34,023,732	–
Preferred stock	–	221,239	–
Payments of:			
Cash dividends	(3,620,000)	(2,100,000)	(1,800,000)
Interest	(1,271,687)	(1,499,983)	(415,198)
Long-term debts	(9,121,198)	(3,761,921)	(3,495,131)
Short-term loans	(1,290,000)	(2,400,000)	(1,100,000)
Debt issuance costs (Note 16)	(321,605)	–	–
Stock issue costs	–	(1,141,435)	–
Acquisition by subsidiary of the Parent Company's shares (Note 28)	(49,566,535)	–	–
Net movement in amounts owed by and owed to related parties	(1,805,357)	(5,458,135)	(3,169,115)
Net cash from (used in) financing activities	(14,915,525)	29,018,585	3,320,556
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(157,341)	59,806	49,138
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,265,373)	17,174,544	5,578,575
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,776,866	12,602,322	7,023,747
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	$24,511,493	$29,776,866	$12,602,322

See accompanying Notes to Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

Camerton Inc. (Camerton) is the immediate parent of CHPC, while Carmetheus Holdings, Inc. is the ultimate parent company of CHPC and its subsidiaries (the Group).

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

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

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

RBWI is primarily engaged in the manufacture, fabrication and design of microwave components and subsystems primarily for export. RBWI was renamed to Cirtek Advanced Technologies and Solutions, Inc. (CATS) on November 21, 2014 at the British Virgin Islands and on February 18, 2015 at the Philippine Securities and Exchange Commission (SEC).

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

2. Basis of Presentation, Statement of Compliance, Basis of Consolidation 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 financial assets at FVPL which are carried at fair value. The consolidated financial statements are presented in United States (US) dollars ($), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest US dollar except when otherwise indicated.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2016 and 2015 (see Notes 1 and 4):

	Country of Incorporation	Percentage of Ownership 2016 Direct	2016 Indirect	2015 Direct	2015 Indirect
CEC	Philippines	**100**	–	100	–
CEIC	British Virgin Islands (BVI)	**100**	–	100	–
CATS (formerly known as RBWI)	BVI	–	**100**	–	100
CATS - Philippine Branch	Philippines	–	**100**	–	100
Remec Broadband Wireless Real Property (RBWRP)	Philippines	–	**100**	–	100

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 statement 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 stand-alone 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:

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. These pronouncements are either not applicable to the Group or their adoption did not have a significant impact on the Group's financial position or performance.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

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

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3, *Business Combinations*), to 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.

- 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 income 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 consolidated financial statements.

- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

  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.

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*

  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.

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

  The amendments 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.

- Annual Improvements to PFRSs 2012 - 2014 Cycle

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

    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.

  - Amendment to 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 for continuing involvement 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.

  - Amendment to 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.

  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*

    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.

  - Amendment to 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).

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  These amendments are not applicable to the Group.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  These amendments are not applicable to the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  These amendments are not applicable to the Group.

- Philippine Interpretation on IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The adoption of the interpretation is not expected to have any significant impact on the consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

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 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 non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The 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 tbe use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 consolidated 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, HTM investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group 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 Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, trade and other receivables, financial assets at FVPL, HTM investments, AFS financial asset, amounts owed by related parties, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet).

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 consolidated balance sheet at fair value with gains or losses recognized in profit or loss.

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

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

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

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

As of December 31, 2016 and 2015, the Group designated its investments in Unit Investment Trust Fund (UITF) and Rizal Commercial Banking Corporation (RCBC) Senior Notes as financial assets 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 (EIR) method, less impairment. 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 profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Assets in this category are included in current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

As of December 31, 2016 and 2015, the Group has designated as loans and receivables its cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, security deposit, loans to employees (reported as part of 'Other current assets' and 'Other noncurrent assets' in the consolidated balance sheet) and deposits (reported as part of 'Other current assets' and '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 EIR method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2016 and 2015, the Group has HTM investments in Philippine government securities.

AFS financial assets
AFS financial assets are non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or change 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 profit or loss, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in profit or loss.

As of December 31, 2016 and 2015, the Group's AFS financial asset pertains to unquoted equity shares of CloudMondo, Ltd.

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 and, in the case of financial liabilities not at FVPL, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, short-term loans, long-term debt and amounts owed to related parties.

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

Financial liabilities at FVPL
Financial liabilities 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 profit or loss.

The Group does not have a financial liability at FVPL as of December 31, 2016 and 2015.

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

As of December 31, 2016 and 2015, the Group's other financial liabilities includes trade and other payables, short-term loans, amount owed to related parties and long-term debt.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it

qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss 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.

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 fineneial 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in profit or loss.

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

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

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

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. In this case the Group 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 Group 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 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 profit or loss.

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 are 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 inventories	- cost of direct materials and labor and a proportion of manufacturing overhead cost. 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 and work-in-process inventories 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 raw materials, supplies, spare parts and others is the current replacement cost.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost and 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 and borrowing cost when that cost is incurred and if the recognition criteria are met. Repairs and maintenance are recognized in profit or loss as incurred. Land is carried at cost less any impairment in value.

Depreciation commences when an asset is in its location and condition and capable of being operated in the manner intended by management. Depreciation is calculated on a straight-line method over the estimated useful lives of the property, plant and equipment as follows:

Category	Number of Years
Machinery and equipment	10-15
Buildings and improvements	5-25
Facility and production tools	5-8
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 balance sheet date.

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 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 profit or loss in the year the asset is derecognized.

Noncurrent Assets 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.

The criteria for held for sale classification is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification, unless the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the assets.

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 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. Foreign currency exchange differences are included in the determination of borrowing costs to be capitalized, but only to the extent that they are an adjustment to the interest cost on the borrowing.

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; and
- 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, which is estimated to be five (5) to ten (10) years. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Business Combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in the consolidated statement of comprehensive income or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

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, advances to suppliers, property, plant and equipment, and other 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 CGU's fair value less costs to sell and its value in use (VIU) and is determined for an individual asset, unless the nonfinancial asset does not generate cash inflows that are largely independent of those from other nonfinancial assets or 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 speeific 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 nonfinaneial 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 non-financial asset in prior years. Such reversal is recognized in profit or loss.

Capital Stock

Capital stock is measured at par value for all shares issued. Subscriptions receivable are accounted for as a deduction from equity. Proceeds and/or fair value of consideration received in excess of par value, if any, are recognized as additional paid-in capital (APIC).

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.

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

Equity Reserve

Equity reserve represents the effect of the application of the pooling-of-interests method.

Parent Company Shares Held by a Subsidiary

These shares represent the Parent Company's common shares acquired by its subsidiary. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of these equity instruments. Any difference between the carrying amount and the consideration, if reissued, is charged or credited to APIC.

Other Comprehensive Income

Other comprehensive income comprises items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. Other comprehensive income pertains to remeasurements of the Group's retirement benefit obligation and changes in fair value of AFS financial asset.

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, net of discounts and returns. Discounts and returns are not significant to the Group.

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

Deferred revenues
Deferred revenues pertain to the unearned income arising from the sale of goods wherein no actual shipment or transfer of risks and rewards to customers has occurred yet. No amortization is done to recognize the earned revenue since the Group will make subsequent reversals upon shipment of the goods to customers.

Costs and Expenses Recognition
Costs and expenses are recognized in the consolidated statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of sales
Cost of sales is recognized when the related sale has met the criteria for recognition.

Operating expenses
Operating expenses are recognized in the period in which they are 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).

The 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 Benefits 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 the consolidated statement of comprehensive income. 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 profit or loss.

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.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when, reimbursement is virtually certain.

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

All differences are taken to the 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 of the dates of the initial transactions.

Income Taxes
Current tax
Current 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 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, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits from excess 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 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.

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

Deferred income tax relating to items recognized directly in equity is recognized directly in equity and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to offset current tax assets against current tax liabilities exist and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax assets or liabilities are expected to be settled or recovered. Subsidiaries operating in the Philippines file income tax returns on an individual basis. Thus, the deferred income tax assets and deferred income tax liabilities are offset on a per entity basis.

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

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

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 25).

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 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.

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

3. Significant Judgments, Accounting Estimates and Assumptions

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 signifieant effect on the amounts recognized in the consolidated financial statements:

Determination of functional currency
The functional currencies of the entities under the Group are the currencies of the primary economic environment in which the entity operates. It is the eurrency that mainly influences the sales prices of goods and cost of goods sold. Based on the economic substance of the underlying circumstances, the functional currency of the Parent Company and its subsidiaries is the US dollar.

Determination of 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 in PFRS 8, *Operating Segments*.

Classification of noncurrent assets held for sale
When CEIC acquired CATS and RBWRP, the manufacturing activities of CATS had been transferred to CEC's facility for operational efficiency measures. As a result, the land and building improvements owned by CATS and RBWRP became idle; thus, on December 9, 2014, the BOD approved the plan to sell and dispose the said aforementioned assets to interested buyers. PFRS 5 requires entities to classify a noncurrent asset as held for sale if its carrying amount will be recovered mainly through sale rather than through continued use. The Group has made a judgment that the noneurrent assets are held for sale since management is committed to selling the assets and are active in looking for interested buyers. Furthermore, the assets are available for

immediate sale in their present condition. As of December 31, 2016, the Parent Company's management expects that sale will be completed in 2017.

Classification of financial instruments
The Group classifies a financial instrument, or its component, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets. The classification of the Company's financial instruments is disclosed in Note 26.

Deferred income tax liability on a subsidiary's undistributed profits
CEIC has undistributed profits as of December 31, 2016 and 2015 that become taxable when distributed to the Parent Company. PAS 12 requires the recognition of deferred income 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, the Parent Company did not recognize deferred income tax liability on CEIC's undistributed earnings amounting to $6,786,090 and $6,262,423 as of December 31, 2016 and 2015, respectively.

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 VIU. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Based on management's evaluation, no indication of impairment was noted in the Group's nonfinancial assets as of December 31, 2016 and 2015 (see Notes 9, 11 and 13).

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

Estimation of fair value of identifiable net assets of an acquiree in a business combination
In accounting for business combinations, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and other factors. The fair values of identifiable net assets are in Note 4 to the consolidated financial statements.

Estimation of fair value less cost to sell of noncurrent assets held for sale
The determination of the fair value less cost to sell of noncurrent assets held for sale is made with reference to the selling price of the asset in the market and other factors such as the local market conditions and the asking price of the potential buyers. As of December 31, 2016 and 2015, the Group carries its noncurrent assets held for sale at lower of carrying amount and fair value less cost to sell amounting to $11,408,611 (see Note 11).

Fair values of financial instruments
The fair values of financial instruments that are not quoted in active markets are determined using valuation techniques. Where valuation techniques are used to determine fair values, fair values are validated and periodically reviewed by qualified independent personnel. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The fair values of the financial instruments of the Group are disclosed in Note 27 to the consolidated financial statements.

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.

In 2015, the Group's review indicated that the estimated useful lives of machinery and equipment should be extended from 6 to 12 years to 10 to 15 years and facility and production tools from 3 to 5 years to 5 to 8 years from January 1, 2015 based on the Group's reassessment of the expected period over which the Group will benefit from the use of these assets. There were no changes in the useful lives of property, plant and equipment in 2016.

Estimated impact on future annual depreciation expense is as follows:

Years Ended December 31	Increase (Decrease)
2015	($1,338,607)
2016 to 2020	(2,233,408)
2021 to 2025	3,572,015

Depreciation charged in the consolidated statements of comprehensive income amounted to $2,711,632, $2,190,004 and $2,900,520 in 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Group's property, plant and equipment have a net book value of $28,675,910 and $23,841,532, respectively (see Note 11).

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 amounted $96,884 as of December 31, 2016 and 2015. The carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to $15,281,893 and $5,737,068 as of December 31, 2016 and 2015, 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 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.

As of December 31, 2016 and 2015, the Group has not provided any impairment allowance since receivables were assessed to be fully collectible. The carrying amount of loans and receivables, which include cash in banks and cash equivalents, trade and other receivables, amounts owed by related parties, security deposit, loans to employees and deposits amounted to $62,000,208 and $55,834,400 as of December 31, 2016 and 2015, respectively (see Notes 5, 6, 9 and 13).

Estimating retirement benefit cost and liability
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 21 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 benefits costs amounted to $216,687, $233,513 and $242,529 in 2016, 2015 and 2014, respectively. As of December 31, 2016 and 2015, the Group's retirement benefit obligation amounted to $1,807,847 and $1,357,811, respectively (see Note 21).

Estimating useful life of software costs and capitalized product development costs
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, 2016 and 2015, software with a total cost of $39,278 has been fully amortized. The carrying amount of capitalized development costs amounted to $922,220 and $569,942 as of December 31, 2016 and 2015, respectively. The amortization of capitalized development cost amounted to $194,888, $96,355 and $72,940 in 2016, 2015 and 2014, respectively (see Note 13).

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 recognized deferred income tax assets amounting to $223,779 and $274,903 as of December 31, 2016 and 2015, respectively (see Note 23).

The Parent Company did not recognize deferred income tax assets on the carryforward benefit of NOLCO and unrealized foreign exchange losses amounting to $3,496,061 and $2,784,422 as of December 31, 2016 and 2015, respectively.

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 $1,419,257 and $130,300 as of December 31, 2016 and 2015, respectively.

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

Management, in consultation with these counsels, believes that the likely outcome of these legal proceedings will not have a material adverse effect on the Group's financial position and operating results. However, it is possible that the future results of operations could be materially affected on changes in estimates or in the effectiveness of the strategies relating to these litigations and claims. No provision for probable losses arising from legal contingencies was recognized in 2016 and 2015.

4. Business Combination

As discussed in Note 1, the Company acquired the ordinary shares of RBWHI's manufacturing division, CATS (formerly known as RBWI) on July 23, 2014. The authorized capital stock of CATS consists of 50,000 shares with a par value of US$1.00 per share, of which 5,000 shares are issued and outstanding. CEIC bought all of the 5,000 ordinary shares issued representing 100% ownership in the acquired entity.

The acquisition of CATS allows the Group to expand its manufacturing capacity and capability into the high-growth wireless segment via a proven player with a strong customer base.

The amount of consideration transferred for the acquisition was $7,465,105.

As of July 30, 2015, the Group valuation was completed and the acquisition date fair value of the HTM investments, long-term debt, retirement benefit obligation and the related deferred income tax assets amounted to $1,156,722, $10,933,214, $691,855, and $113,593, respectively, a net decrease of $532,778 over the provisional fair value of net assets. The 2014 comparative information was restated to reflect the adjustment to the provisional amounts of assets and liabilities. Correspondingly, the amortization of HTM investment and long-term debt from August to December 2014 have been adjusted by $164,994. As a result, there was a corresponding reduction in the retained earnings amounting to $697,608 as of December 31, 2014. Excess of the fair value of net assets acquired over the aggregate consideration transferred amounted $2,041,059 and is presented under "Other income - net" account in the consolidated statements of comprehensive income (see Note 22).

From the date of acquisition, CATS contributed $11,729,914 of revenue and $1,349,426 to profit before tax from continuing operations of the Group for the year ended December 31, 2014. If the combination had taken place at the beginning of 2014, the Group's revenue from continuing operations would have been $67,890,213 and the profit before tax from continuing operations would have been $9,715,181.

The table below shows the analysis of cash flow on acquisition:

Cash consideration transferred	$7,465,105
Net cash acquired with the subsidiary	(291,179)
Net cash flow on acquisition	$7,173,926

Transaction costs of $30,253 were expensed and are included in administrative expenses.

5. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**$24,511,493**	$14,792,686
Cash equivalents	**–**	14,984,180
	$24,511,493	$29,776,866

Cash in banks earns interest at prevailing bank deposit rates. Cash equivalents 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 cash equivalents amounted to $172,196, $19,469 and $23,524 in 2016, 2015 and 2014, respectively.

6. Trade and Other Receivables

	2016	2015
Trade	**$22,688,485**	$13,615,734
Others	**483,938**	134,049
	$23,172,423	$13,749,783

Trade receivables are noninterest-bearing and are generally on 30-120 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

	2016	2015
At cost:		
Raw materials	**$13,692,165**	$4,197,113
Work-in-process	**408,986**	519,595
Finished goods	**178,958**	105,852
Spare parts and others	**643,244**	556,485
	14,923,353	5,379,045
At NRV:		
Supplies and others	**358,540**	358,023
Total inventories at lower of cost and NRV	**$15,281,893**	$5,737,068

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

The allowance for inventory obsolescence of supplies and other inventories as of December 31, 2016 and 2015 amounted to $96,884.

The cost of inventories recognized as cost of sales amounted to $42,377,215, $30,689,257 and $28,352,936 in 2016, 2015 and 2014, respectively (see Note 18).

8. Financial Assets at FVPL

The reconciliation of the carrying amounts of financial assets at FVPL as of December 31 follows:

	2016	2015
Beginning balance	**$19,447,248**	$701,747
Disposals	**(19,709,049)**	–
Gain on disposal (Note 22)	**262,332**	–
Acquisition	–	18,494,471
Fair value gains (Note 22)	–	293,349
Foreign currency translation	**(28)**	(42,319)
Ending balance	**$503**	$19,447,248

UITF

On November 23, 2015, the Group acquired additional $9,994,471 investment in UITF from Security Bank Corporation (SBC). The fair values for the investment in UITF are determined through the Net Asset Valuation of each investee as of 2016 and 2015.

In 2015 and 2014, the Group recognized fair value gains amounting to $25,769 and $184,985, respectively, in the consolidated statement of comprehensive income. The balance of investment in UITF amounted to $10,679,668 as of December 31, 2015.

In 2016, the investment in UITF was sold for $10,847,799. Gain on disposal recognized in consolidated statement of comprehensive income amounted to $168,662 in 2016.

Investment in RCBC Senior Note
On January 21, 2015, the Parent Company acquired $8.5 million of the USD Senior Unsecured Fixed Rate Notes offered by the RCBC via a drawdown off its $1 billion Medium Term Note Programme maturing on January 22, 2020. The senior note earns 4.25 % fixed rate per annum, payable semi-annually commencing July 21, 2015. The senior note is listed and actively traded in Singapore Exchange Securities Trading Limited (SGX). The senior note is designated as financial asset at FVPL as of December 31, 2016 and 2015. The fair values for the investment in RCBC Senior Notes have been determined directly by reference to published prices quoted in an active market.

In 2015, the Group recognized fair value gains amounting to $267,580 in the consolidated statement of comprehensive income. The balance of the investment in RCBC Senior Notes amounted to $8,767,580 as of December 31, 2015.

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

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

9. Other Current Assets

	2016	2015
Rental deposit (Note 17)	**$1,131,399**	$1,131,399
Advances to suppliers	**953,821**	773,277
Loans to employees	**239,823**	252,871
Security deposit	**180,387**	180,387
Prepaid expenses	**80,488**	102,079
Others	**32,452**	94,168
	$2,618,370	$2,534,181

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

10. HTM Investments

As of December 31, 2016 and 2015, the details of HTM investments are as follows (see Note 4):

	2016	2015
Current portion	**$371,520**	$521,215
Noncurrent portion	**–**	368,574
	$371,520	$889,789

In compliance with the Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with market values equivalent to a certain percentage of the amount by which CATS - Philippine Branch's gross income exceeds $0.10 million (₱5.0 million).

The Philippine 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.

The Group's HTM investments pertain to government bonds which were purchased by the Philippine Branch of CATS in compliance with above regulation. The bonds have maturity dates which range from 2015-2017 and bear an average effective interest rate of 1.97% to 4.63% per annum.

In May 2015, one of the HTM bonds with a face value of $111,632 (₱5.0 million) matured and as a result, CATS received cash amounting to $115,478.

Interest income in 2016, 2015 and 2014 amounting to $8,362, $27,330, and $34,717, respectively, are presented as part of "Interest income" account in the consolidated statements of comprehensive income.

11. Property, Plant and Equipment and Noncurrent Assets Held for Sale

Property, plant and equipment

December 31, 2016

	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Construction in progress	Total
Cost:							
Beginning balances	$41,492,558	$8,091,561	$6,727,316	$1,107,269	$171,177	$3,830,811	$61,420,692
Additions	3,256,285	107,859	955,606	135,473	–	3,090,787	7,546,010
Disposal and other adjustments	–	–	–	–	–	–	–
Reclassification	6,412,476	–	509,122	–	–	(6,921,598)	–
Ending balances	51,161,319	8,199,420	8,192,044	1,242,742	171,177	–	68,966,702
Accumulated depreciation:							
Beginning balances	27,840,187	4,399,021	4,341,626	923,784	74,542	–	37,579,160
Depreciation (Notes 18 and 19)	1,604,772	430,488	500,649	150,741	24,982	–	2,711,632
Ending balances	29,444,959	4,829,509	4,842,275	1,074,525	99,524	–	40,290,792
Net book values	$21,716,360	$3,369,911	$3,349,769	$168,217	$71,653	$–	$28,675,910

December 31, 2015

	Machinery and Equipment	Buildings and Improvements	Facility and Production Tools	Furniture, Fixtures and Equipment	Transportation Equipment	Construction in progress	Total
Cost:							
Beginning balances	$38,385,288	$7,071,084	$5,994,069	$1,058,977	$104,365	$–	$52,613,783
Additions	3,254,022	1,049,796	733,247	63,192	85,300	3,830,811	9,016,368
Disposal and other adjustments	(146,752)	(29,319)	–	(14,900)	(18,488)	–	(209,459)
Ending balances	41,492,558	8,091,561	6,727,316	1,107,269	171,177	3,830,811	61,420,692
Accumulated depreciation:							
Beginning balances	26,587,628	4,154,904	3,958,418	818,862	78,803	–	35,598,615
Depreciation (Notes 18 and 19)	1,404,291	267,753	383,208	120,678	14,074	–	2,190,004
Disposal and other adjustments	(151,732)	(23,636)	–	(15,756)	(18,335)	–	(209,459)
Ending balances	27,840,187	4,399,021	4,341,626	923,784	74,542	–	37,579,160
Net book values	$13,652,371	$3,692,540	$2,385,690	$183,485	$96,635	$3,830,811	$23,841,532

Additions to construction in progress amounting to $3,090,787 and $3,830,811 in 2016 and 2015, respectively, represent construction costs incurred for the new production facility of CATS - Philippine Branch's new product venture. Construction was completed in 2016.

Land and building owned by RBWRP with carrying value of $8,768,248 as of December 31, 2016 and 2015 were used as collateral for an interest-bearing loan with a local commercial bank. The Group prepaid the balance of the loan in 2016 (see Note 16).

The cost of fully depreciated property, plant and equipment still used in operations amounted to $18,780,185 and $18,394,022 as of December 31, 2016 and 2015, respectively.

Noncurrent Assets Held for Sale

On December 9, 2014, the Parent Company's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS - Philippine Branch's operations. An independent valuation was obtained to determine the fair values of property, plant and equipment which were based on recent transactions for similar assets within the same industry. Property, plant and equipment with carrying value of $11,408,611 were classified as noncurrent assets held for sale in the consolidated balance sheets effective December 31, 2014. The Parent Company's management is committed to selling the assets which are available for immediate sale and is active in looking for interested buyers. During the one-year period from the date the assets were classified as held for sale, circumstances arose that were previously considered unlikely and, as a result, the noncurrent assets held for sale were not sold by the end of the one-year period. Management took necessary actions to respond to the change in circumstances and ensured that the noncurrent assets are being actively marketed at a price that is reasonable, given the change in circumstances.

12. AFS Financial Asset

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

13. Other Noncurrent Assets

	2016	2015
Advances to suppliers	**$1,066,014**	$55,644
Product development costs	**922,220**	569,942
Miscellaneous deposits	**135,559**	136,168
Loans to employees	**7,889**	87,987
Others	**39,177**	44,112
	$2,170,859	$893,853

Advances to suppliers pertain to down payments for the acquisition of software and building expansion.

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 for capitalization. The product development costs that were capitalized in 2016, 2015 and 2014 amounted to $547,166, $105,365, and $163,907, respectively. Amortization of product development cost charged to the consolidated statements of comprehensive income amounted to $194,888, $96,355, and $72,940 in 2016, 2015 and 2014, respectively, as these are available for use.

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, 2016 and 2015, CEC has software with a total cost of $39,278 which are fully amortized but are still used in operations.

14. Trade and Other Payables

	2016	2015
Trade	**$13,192,707**	$8,569,122
Accruals:		
Utilities	**442,112**	453,145
Payroll	**404,116**	259,583
Interest (Notes 15 and 16)	**172,419**	155,235
Others	**337,454**	285,966
Advances from customers	**2,833,791**	2,884,311
Provision for warranty	**1,419,257**	130,300
Others	**333,737**	647,980
	$19,135,593	$13,385,642

Trade payables are noninterest-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.

Provision for warranty pertains to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications. The increase in provision for warranty is due to the introduction of new products for its new customer (see Note 29). Provision for (reversal of) warranty in 2016 and 2015 amounted to $1,288,957 and ($18,654), respectively, and is presented as part of "Cost of sales" account in the consolidated statements of comprehensive income.

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

15. Short-term Loans

The Group has the following loan facilities:

		2016	2015
Banks:			
SBC	(a)	**$10,000,000**	$900,000
Bank of the Philippine Island (BPI)	(b)	**5,435,088**	5,435,088
RCBC	(c)	**16,190,857**	4,500,000
		$31,625,945	$10,835,088

a. Revolving loan facilities with the SBC which have payment terms ranging from 90 to 180 days. The facility is unsecured and charged interest of 1.95% to 2.10% per annum in 2016 and 2015.

b. Revolving loan facilities with the BPI which have payment terms of 180 days. The facility is unsecured and charged interest of 1.80% per annum in 2016 and 2015.

c. Revolving loan facilities with the RCBC which have payment terms ranging from 60 to 167 days. The facility is unsecured and charged interest of 2.25% per annum in 2016 and 2015.

Interest expense incurred from these short-term loan facilities amounted to $153,247, $95,423, and $181,636 in 2016, 2015 and 2014, respectively.

16. Long-term Debt

As of December 31, 2016 and 2015, the details of long-term debts are as follow:

	2016	2015
Principal	**$44,250,000**	$23,371,201
Less deferred financing costs	**390,029**	154,780
	$43,859,971	23,216,421
Less:		
Current portion - net of deferred financing costs amounting to $272,155 and $71,699 in 2016 and 2015, respectively	**6,882,126**	5,290,995
Subsequent adjustments in PPA	–	12,647
	6,882,126	5,303,642
	$36,977,845	$17,912,779

Movement in deferred financing costs follow:

	2016	2015
Beginning of year	**$154,780**	$130,122
Transaction costs recognized during the year	**321,605**	146,127
Less amortization	**86,356**	121,469
End of year	**$390,029**	$154,780

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 NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

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

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

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

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

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

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

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

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

Under this agreement, the following financial ratios must be maintained:

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

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

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

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

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

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

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

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

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

Total interest expense (including amortization of deferred financing costs) recognized in the consolidated statements of comprehensive income amounted to $1,134,962, $757,709, and $188,302 in 2016, 2015 and 2014, respectively.

CATS
In 2012, CATS obtained a secured interest-bearing loan from a 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 to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014. As of December 31, 2015, the land and building owned by RBWRP were used as collateral for the secured interest-bearing loan (see Note 11).

The loan contract gives the Group an option to prepay the loan in part or in full, subject to the Group giving the creditor at least 30 days advance notice of its intention to make such prepayment counted from the date of receipt by the creditor of such written notice.

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4,684,319. Interest expense charged to operations in 2016, 2015 and 2014 amounted to $87,018, $474,281 and $154,856, respectively.

Carrying values of long-term debt held by the Parent Company and CATS - Philippine Branch follow:

	2016	2015
Parent Company	**$43,859,971**	$17,595,220
CATS - Philippine Branch	–	5,621,201
	$43,859,971	$23,216,421

17. Related Party Disclosures

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

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

a. Advances for operating requirements of 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; and
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 comprehensive income include the following significant account balances resulting from the above transactions with related parties:

a. Amounts owed to related parties

		Transactions		Balances as of			
		2016	2015	**2016**	2015	Terms	Conditions
Other related parties							
CLC	Rental	**$12,776**	$13,515	**$446,970**	$434,194	Due on demand; non-interest bearing	Unsecured
Cayon	Rental	**11,690**	12,025	**73,182**	61,492	Due on demand; non-interest bearing	Unsecured
				$520,152	$495,686		

b. Amounts owed by related parties

		Transactions		Balances as of			
		2016	2015	**2016**	2015	Terms	Conditions
Other related parties							
Camerton	Reimbursement of expenses	**$78,833**	$–	**$111,994**	$33,161	Due on demand; non-interest bearing	Unsecured; no impairment
CHI	Advances for working capital	**–**	–	**1,809,256**	1,809,256	Due on demand; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	**–**	–	**206,284**	206,284	Due on demand; non-interest bearing	Unsecured; no impairment
Jerry Liu	Advances	**1,750,990**	5,483,674	**10,309,041**	8,558,051	Due on demand; non-interest bearing	Unsecured; no impairment
				$12,436,575	$10,606,752		

c. Rental deposit

	Transactions		Balances as of			
	2016	2015	**2016**	2015	Terms	Conditions
Other related parties						
CLC	$–	$–	**$1,131,399**	$1,131,399	Due on demand; non-interest bearing	Unsecured; no impairment

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

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 CHPC.

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

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

The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling $3.6 million representing unpaid advances of $2.3 million and dividends of $1.3 million as of March 17, 2011 (see Note 28).

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

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

Transactions with Camerton
Camerton is the majority shareholder of the Parent Company. Amounts owed by Camerton as of December 31, 2016 and 2015 pertain mainly to working capital advances and advances for incorporation expenses of Camerton.

Transactions with CLC and Cayon
CLC is an entity under common control of the ultimate parent company. 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 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 $12,777, $13,515 and $14,434 in 2016, 2015 and 2014, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of 10 years and renewable thereafter. Total rent expense charged to operations amounted to $11,690, $12,025 and $13,114 in 2016, 2015 and 2014, respectively.

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

	2016	2015	2014
Salaries and wages	**$1,716,534**	$520,374	$953,896
Employee benefits	**246,575**	275,117	246,477
	$1,963,109	$795,491	$1,200,373

18. Cost of Sales

	2016	2015	2014
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 7)	**$42,434,652**	$35,035,653	$27,679,587
Salaries, wages and employees' benefits (Note 20)	**10,535,487**	8,234,391	7,821,742
Utilities	**3,490,477**	3,696,519	3,556,257
Depreciation (Note 11)	**2,626,749**	2,116,293	2,838,858
Inward freight and duties and others	**2,478,742**	898,991	2,354,891
	$61,566,107	$49,981,847	$44,251,335

19. Operating Expenses

	2016	2015	2014
Salaries, wages and employees' benefits (Note 20)	**$2,563,292**	$2,035,832	$1,594,075
Utilities	**349,377**	505,530	290,845
Transportation and travel	**304,568**	356,524	284,608
Entertainment, amusement and recreation	**192,109**	208,554	168,981
Professional fees	**191,305**	264,495	132,542
Commissions	**152,020**	57,660	159,935
Depreciation (Note 11)	**84,883**	73,711	61,662
Taxes and licenses	**84,242**	163,242	47,792
Insurance premiums	**71,871**	12,497	31,191
Office supplies	**47,688**	27,210	27,815
Others	**312,248**	115,421	529,010
	$4,353,603	$3,820,676	$3,328,456

"Others" mainly consist of receivables directly written off and other charges.

20. Salaries and Wages and Employees' Benefits

	2016	2015	2014
Salaries and wages	**$10,480,573**	$8,597,053	$7,771,711
Other employees' benefits	**2,401,519**	1,439,657	1,401,577
Retirement benefits costs (Note 21)	**216,687**	233,513	242,529
	$13,098,779	$10,270,223	$9,415,817

Other employees' benefits consist of allowances and mandatory contributions.

21. Retirement Benefit Obligation

The Group has a funded, noncontributory defined benefit retirement plan based on the normal retirement benefits equivalent to the minimum retirement benefit as provided by Republic Act (R.A.) No. 7641, otherwise known as the Retirement Pay Law, covering all of its regular employees. Retirement benefits costs are determined in accordance with an actuarial study and are based on the employees' years of service and monthly basic salary.

Under the existing regulatory framework, R.A. No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

	2016	2015	2014
Current service cost	**$148,313**	$160,009	$140,308
Interest cost	**68,374**	73,504	102,221
	$216,687	$233,513	$242,529

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

	2016	2015
Present value of obligations	**$2,080,282**	$1,610,657
Fair value of plan assets	**(272,435)**	(252,846)
	$1,807,847	$1,357,811

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

	2016	2015
Opening present value defined benefit obligation	**$1,610,657**	$1,780,923
Current service cost	**148,313**	160,009
Interest cost	**77,974**	79,667
Remeasurement losses (gains)	**392,006**	(203,202)
Benefits paid	**(34,875)**	(121,045)
Translation difference	**(113,793)**	(85,695)
	$2,080,282	$1,610,657

Changes in the fair value of plan assets are as follows:

	2016	2015
Opening fair value of plan assets	**$252,846**	$135,136
Contributions	**147,002**	105,907
Interest income included in net interest costs	**9,600**	6,163
Remeasurement gains (losses) on plan assets	**(121,918)**	16,630
Translation difference	**(15,095)**	(10,990)
	$272,435	$252,846

Movements in the net retirement plan liabilities follow:

	2016	2015
Beginning of year	**$1,357,811**	$1,645,787
Retirement benefits costs	**216,687**	233,513
Contributions	**(147,002)**	(105,907)
Remeasurement losses (gains) recognized in other comprehensive income	**513,924**	(219,832)
Benefits paid	**(34,875)**	(121,045)
Translation difference	**(98,698)**	(74,705)
End of year	**$1,807,847**	$1,357,811

The details of the remeasurement losses (gains) in other comprehensive income as of December 31 follow:

	2016	2015	2014
Remeasurement losses (gains) on defined benefits obligation arising from changes in:			
Experience adjustments	**$145,529**	($174,143)	($128,760)
Changes in assumptions	**246,477**	(29,059)	(272,601)
Remeasurement losses (gains) on plan assets	**121,918**	(16,630)	9,723
	$513,924	($219,832)	($391,638)

As a result of the business combination, the Group recognized an additional present value of the defined benefit obligations of $1,878,867 for the year ended December 31, 2014.

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

	2016	2015	2014
Discount rate	**5.43% - 5.55%**	4.35 - 5.08%	4.64%
Salary increase rate	**3.50% - 2%**	2.00%	2.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the pension obligations as of December 31, 2016 and 2015, assuming all other assumptions were held constant:

		Effect on Present Value of Defined Benefit Obligation	
	Increase (Decrease)	**2016**	2015
Discount rate	+1%	**($187,575)**	($155,646)
	-1%	**225,665**	185,184
Future salary increase rate	+1%	**220,431**	197,098
	-1%	**(186,465)**	(167,737)

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The latest actuarial valuation report of the Group is as of December 31, 2016. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years. Shown below is the maturity analysis of the undiscounted benefit payments:

	2016	2015
1 year or less	**$349,863**	$125,072
More than 1 year to 5 years	**470,458**	672,062
More than 5 years	**11,251,717**	7,548,519

22. **Other Income** - Net

	2016	2015	2014
Sale of scrap	**$231,552**	$320,199	$259,819
Gain on disposal of financial assets at FVPL (Note 8)	**262,332**	–	–
Foreign exchange gains (losses) - net	**(3,222)**	178,986	(67,297)
Mark-to-market gain (Note 8)	–	293,349	184,985
Excess of the fair value of net assets acquired over the aggregate consideration transferred (Note 4)	–	–	2,041,059
Others - net	**257,228**	39,411	(57,050)
	$747,890	$831,945	$2,361,516

Other non-operating income pertains to the miscellaneous receipts from customers in prior periods.

23. **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 R.A. No. 7916, the law creating the PEZA.

CATS - Philippine Branch
CATS - 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) and Laguna Technopark 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, CATS - 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:

	2016	2015	2014
Current	**$559,457**	$475,638	$202,011
Deferred	**(12,125)**	39,998	4,814
	$547,332	$515,636	$206,825

The provision for current income tax in 2016, 2015 and 2014 pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

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 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 begiuning 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		
	2016	2015	2014
Income tax at applicable statutory rate	**$637,810**	$478,334	$377,037
Additions to (reduction in) income tax:			
Nontaxable income	**(139,433)**	(82,272)	(128,692)
Nondeductible expenses	**34,930**	97,041	13,071
Income subject to higher tax rate	**33,356**	86,046	–
Taxable income subject to ITH	**(19,665)**	(68,042)	(53,519)
Movement of temporary differences	**(12,125)**	–	(60,008)
Interest income subject to final tax	–	–	(283)
Translation difference and others	**12,459**	4,529	59,219
Provision for income tax	**$547,332**	$515,636	$206,825

In 2016, 2015 and 2014, CATS - Philippine Branch and CEC have availed ITH for certain product lines. Total gross income for the registered activities of CEC in 2015 and 2014 amounted to $480,477 and $1,070,379, respectively. Total gross income for the registered activities of CATS - Philippine Branch in 2016 and 2015 amounted to $393,300 and $810,345, respectively.

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

	2016	2015
Deferred income tax assets recognized in profit or loss:		
Fair value adjustment on noncurrent assets held for sale	**$127,849**	$127,849
Retirement benefit obligation	**98,648**	92,452
HTM investments	**1,408**	1,408
NOLCO	**–**	80,274
	227,905	301,983
Deferred income tax liabilities recognized in profit or loss:		
Effect of foreign exchange differences between tax base and financial reporting base	**(7,502)**	(8,819)
Fair value adjustment on long-term debt	**(14,932)**	(14,932)
Unrealized foreign exchange gains	**(30,140)**	(25,849)
Unrealized gain on financial assets at FVPL	**–**	(88,938)
	(52,574)	(138,538)
Deferred income tax liability related to retirement benefit obligation recognized under other comprehensive income	**(4,126)**	(27,890)
Net deferred income tax assets	**$171,205**	$135,555

The net deferred income tax assets as and liabilities as reflected in the consolidated balance sheets are as follows:

	2016	2015
Net deferred income tax assets	**$174,578**	$135,555
Net deferred income tax liabilities	**$3,373**	–

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

	2016	2015
NOLCO	**$3,352,472**	$2,741,201
Unrealized foreign exchange losses	**143,589**	43,221

As of December 31, 2016 and 2015, the Parent Company incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Year incurred	Amount	Addition	Expired	Balance as of December 31, 2016	Tax effect	Available until
2013	$782,210	$–	$782,210	$–	$–	2016
2014	952,273	–	–	952,273	285,682	2017
2015	1,006,718	–	–	1,006,718	302,015	2018
2016	–	1,393,481	–	1,393,481	418,044	2019
	$2,741,201	$1,393,481	$782,210	$3,352,472	$1,005,741	

In 2015, the Parent Company recognized deferred income tax asset on the carryforward benefit of its NOLCO amounting to $80,274. CEIC and CATS are exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

24. Earnings Per Share (EPS)

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

	2016	2015	2014
Net income attributable to common shareholders of the Parent Company*	**$7,596,228**	$5,112,080	$5,844,084
Weighted average number of common shares outstanding	**416,859,291**	383,220,650	336,261,197
Basic and diluted EPS	**$0.018**	$0.013	$0.017

**Net of dividends declared on preferred shares*

As of December 31, 2016, 2015 and 2014, the Parent Company has no potential dilutive common shares.

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

25. Operating Segments

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. 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 thirteen 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. Information is 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):

	2016	2015	2014
Sales to Quintel	**$19,371**	$–	$–
Discrete	**12,487**	11,296	10,800
Integrated Circuits	**9,818**	8,119	8,556
Multichip	**9,681**	10,163	9,629
New Products	**5,273**	5,415	5,221
Quad-Flat No-Leads	**4,938**	5,143	3,848
Outdoor Unit	**4,903**	7,519	2,008
Bridgewave Ems	**3,024**	2,368	2,969
Hermetics	**1,488**	2,083	2,008
Indoor Radio Frequency Unit	**1,373**	2,493	5,073
Cougar	**241**	329	94
Remec Manufacturing Services	**125**	272	124
Indoor Unit	**–**	1,691	562
	$72,722	$56,891	$50,892

CATS - Philippine Branch's service income amounted to $1.6 million and $2.2 million in 2016 and 2015, respectively. In 2016, service income pertains to sales and production of ODR, EMS and IRFU and billings to customers for inventory variances. In 2015, service income is primarily related to the sales and production of IRFU.

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

	2016	2015	2014
Major Customer A*	**$19,371**	$–	$–
Major Customer B	**10,060**	12,728	10,778
Major Customer C	**7,728**	8,858	10,495

**After the acquisition of CATS, the Group's revenue grew from a single major customer*

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):

	2016	2015	2014
USA	**$41,144**	$32,436	$23,880
Europe	**19,390**	16,941	17,238
Asia	**13,788**	10,172	10,674
	$74,322	$59,549	$51,792

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

26. 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 operations. 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:

	2016	2015
Cash and cash equivalents*	**$24,511,243**	$29,776,426
Trade and other receivables	**23,172,423**	13,749,783
Financial assets at FVPL	**503**	19,447,248
Amounts owed by related parties	**12,436,575**	10,606,752
Other current assets		
Rental deposit	**1,131,399**	1,131,399
Loans to employees	**239,823**	165,498
Security deposit	**180,387**	180,387
HTM investments	**371,520**	889,789
AFS financial asset	**1,667,000**	1,667,000
Other noncurrent assets		
Miscellaneous deposits	**135,559**	136,168
Loans to employees	**7,889**	87,987
Total credit risk exposure	**$63,854,321**	$77,838,437

**Excluding cash on hand as of December 31, 2016 and 2015 amounting to $250 and $440, respectively.*

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

	December 31, 2016						
	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*	$24,511,243	$–	$–	$–	$–	$–	$24,511,243
Trade and other receivables	17,226,175	2,031,535	601,105	3,286,553	27,055	–	23,172,423
Financial assets at FVPL	503	–	–	–	–	–	503
Amounts owed by related parties	12,436,575	–	–	–	–	–	12,436,575
Other current assets		–	–	–	–	–	
Rental deposit	1,131,399	–	–	–	–	–	1,131,399
Security deposit	–	–	–	–	180,387	–	180,387
Loans to employees	239,823	–	–	–	–	–	239,823
AFS financial asset	1,667,000	–	–	–	–	–	1,667,000
HTM investments	371,520	–	–	–	–	–	371,520
Other noncurrent assets							
Loans to employees	7,889	–	–	–	–	–	7,889
Miscellaneous deposits	135,559	–	–	–	–	–	135,559
	$57,727,686	$2,031,535	$601,105	$3,286,553	$207,442	$–	$63,854,321

**Excluding cash on hand amounting to $250.*

	December 31, 2015						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30< 60 days	60-90 days	> 90 days		
Cash and cash equivalents*	$29,776,426	$–	$–	$–	$–	$–	$29,776,426
Trade and other receivables	9,318,862	1,838,198	190,185	98,815	2,344,735	–	13,790,795
Financial assets at FVPL	19,447,248	–	–	–	–	–	19,447,248
Amounts owed by related parties	10,606,082	–	–	–	–	–	10,606,082
Other current assets							
Rental deposit	1,131,399	–	–	–	–	–	1,131,399
Security deposit	–	–	–	–	180,387		180,387
Loans to employees	165,499	–	–	–	–	–	165,499
AFS financial asset	1,667,000	–	–	–	–	–	1,667,000
HTM investments	889,789	–	–	–	–	–	889,789
Other noncurrent assets							
Loans to employees	87,987	–	–	–	–	–	87,987
Miscellaneous deposits	136,168	–	–	–	–	–	136,168
	$73,226,460	$1,838,198	$190,185	$98,815	$2,525,122	$–	$77,878,780

**Excluding cash on hand amounting to $440.*

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

December 31, 2016

	Neither Past Due nor Impaired			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash and cash equivalents*	**$24,511,243**	**$–**	**$–**	**$24,511,243**
Trade and other receivables	**17,194,529**	**31,646**	**–**	**17,226,175**
Financial assets at FVPL	**503**	**–**	**–**	**503**
Amounts owed by related parties	**12,436,575**	**–**	**–**	**12,436,575**
Other current assets				
Rental deposit	**1,131,399**	**–**	**–**	**1,131,399**
Loans to employees	**239,823**	**–**	**–**	**239,823**
HTM investments	**371,520**	**–**	**–**	**371,250**
AFS financial asset	**1,667,000**	**–**	**–**	**1,667,000**
Other noncurrent assets				
Loans to employees	**7,889**			**7,889**
Miscellaneous deposits	**135,559**	**–**	**–**	**135,559**
	$57,696,040	**$31,646**	**$–**	**$57,727,686**

December 31, 2015

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents*	$29,776,426	$–	$–	$29,776,426
Trade and other receivables	9,194,991	123,871	–	9,318,862
Financial assets at FVPL	19,447,248	–	–	19,447,248
Amounts owed by related parties	10,606,082	–	–	10,606,082
Other current assets				
Rental deposit	1,131,399	–	–	1,131,399
Loans to employees	165,499	–	–	165,499
HTM investments	889,789	–	–	889,789
AFS financial asset	1,667,000	–	–	1,667,000
Other noncurrent assets				
Loans to employees	87,987	–	–	87,987
Miscellaneous deposits	136,168	–	–	136,168
	$73,102,589	$123,871	$–	$73,226,460

** Excluding cash on hand.*

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, 2016

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$24,511,493	$–	$–	$–	$24,511,493
Trade and other receivables	17,743,459	5,428,964	–	–	23,172,423
Amounts owed by related parties	12,428,669	–	–	–	12,428,669
	$54,683,621	$5,428,964	$–	$–	$60,112,585
Financial Liabilities					
Trade and other payables					
Trade payables	$13,192,707	$–	$–	$–	$13,192,707
Accrued expenses*	–	1,328,378	–	–	1,328,378
Short-term loans	–	31,625,945	–	–	31,625,945
Amounts owed to related parties	327,336	–	–	–	327,336
Long-term debts**	–	8,504,914	16,579,760	24,450,000	49,534,674
	$13,520,043	$41,459,237	$16,579,760	$24,450,000	$96,009,040

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

December 31, 2015

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$29,776,866	$–	$–	$–	$29,776,866
Trade and other receivables	4,430,921	4,881,011	6,930	–	9,318,862
Amounts owed by related parties	10,625,082	–	–	–	10,625,082
	$44,832,869	$4,881,011	$6,930	$–	$49,720,810
Financial Liabilities					
Trade and other payables					
Trade payables	$8,569,122	$–	$–	$–	$8,569,122
Accrued expenses*	–	1,153,929	–	–	1,153,929
Short-term loans	–	10,835,088	–	–	10,835,088
Amounts owed to related parties	495,686	–	–	–	495,686
Long-term debts	–	9,636,827	7,953,550	7,163,975	24,754,352
	$9,064,808	$21,625,844	$7,953,550	$7,163,975	$45,808,177

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

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, 2016 and 2015:

	December 31, 2016	
	Original Currency in Php[1]	**Total Dollar Equivalent**
Financial Assets		
Cash and cash equivalents	**₱48,683,931**	**$979,162**
HTM investments	**18,238,638**	**371,520**
Amounts owed by related parties	**512,565,468**	**10,309,040**
Other current assets	**38,988,542**	**784,162**
Other noncurrent assets	**53,002,204**	**1,066,014**
Total Financial Assets	**671,478,783**	**13,509,898**
Financial Liability		
Trade and other payables	**80,312,280**	**1,615,291**
Net Financial Assets	**₱591,166,503**	**$11,894,607**

[1]₱ 1 = $.0201

	December 31, 2015	
	Original Currency in Php[1]	Total Dollar Equivalent
Financial Assets		
Cash and cash equivalents	₱113,436,344	$2,410,462
Trade and other receivables	5,760,369	122,405
Financial asset at FVPL	502,585,192	10,679,668
HTM investments	41,652,610	885,096
Amounts owed by related parties	38,025,000	808,011
Other current assets	2,144,234	45,564
Other noncurrent assets	6,408,057	136,168
Total Financial Assets	710,011,806	15,087,374
Financial Liabilities		
Trade and other payables	47,709,773	1,013,807
Amounts owed to related parties	374,513,357	7,958,210
Total Financial Liabilities	422,223,130	8,972,017
Net Financial Assets	₱287,788,676	$6,115,357

[1]₱ 1 = $.0213

	December 31, 2016			
	Foreign Currency Appreciates by	**Effect on Income Before Tax**	**Foreign Currency Depreciates by**	**Effect on Income Before tax**
Peso denominated assets	**+6%**	**($810,594)**	**-6%**	**$810,594**
Peso denominated liabilities	**+6%**	**96,917**	**-6%**	**(96,917)**
		($713,677)		**($713,677)**

	December 31, 2015			
	Foreign Currency Appreciates by	Effect on Income Before Tax	Foreign Currency Depreciates by	Effect on Income Before tax
Peso denominated assets	+5%	($758,836)	-5%	$758,836
Peso denominated liabilities	+5%	314,054	-5%	(314,054)
		($444,782)		$444,782

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's 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2016 and 2015.

The Company considers the following as capital:

	2016	2015
Common stock	**$9,594,321**	$9,594,321
Preferred stock	**221,239**	221,239
Additional paid-in capital	**35,896,893**	35,896,893
Equity reserve	**4,138,375**	4,138,375
Other comprehensive income	**40,329**	526,420
Retained earnings	**24,884,576**	20,896,548
	$74,735,404	$70,747,376

As of December 31, 2016, the Group is subject to externally imposed capital requirements. As of December 31, 2016, the Group was able to meet its capital requirements and management objectives.

27. Fair Value Measurement

As of December 31, 2016 and 2015, the carrying values of the Group's financial assets and liabilities approximate their respective fair values, except for the following financial instruments:

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Financial assets at FVPL	$503	$503	$19,447,248	$19,447,248
HTM investments	371,520	71,520	889,789	965,286
	$372,023	$372,023	$20,337,037	$20,412,534
Financial liabilities				
Other financial liabilities				
Long-term debts	$43,859,971	$43,859,971	$23,216,421	$24,516,928

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, short-term loans, amounts owed by and owed to related parties and deposits
The carrying amounts approximate fair value since these are mostly short-term in nature or a due and demandable.

Financial assets at FVPL - UITF
The investments in Unit Investment Trust Fund classified as financial asset at FVPL are stated at their fair value based on lowest level input (Level 2).

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

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 (Level 1).

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 2016.

Fair Value Hierarchy
The Group held the following financial assets and liabilities measured at fair value or at cost, but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	2016			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVPL	**$503**	**$503**	**$–**	**$–**
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
HTM investments	**371,520**	**371,520**	**–**	**–**
Long-term debt	**36,977,844**	**–**	**–**	**36,977,844**

	2015			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial assets at FVPL	$19,447,248	$8,767,580	$10,679,668	$–
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
HTM investments	889,789	889,789	–	–
Long-term debt	24,516,928	–	–	24,516,928

28. Equity

a. Common Shares

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

	2016	2015
Number of shares		
Authorized - common shares (₱1.00 par value)	**520,000,000**	520,000,000
Issued		
Beginning of year	**419,063,353**	308,239,419
Stock dividend - issued and distributed (see Note 15c)	**–**	30,823,934
Issuance of stock	**–**	80,000,000
End of year	**419,063,353**	419,063,353
Amount		
Issued - shares 419,063,353 in 2016 and 2015	**$9,594,321**	$9,594,321

On November 18, 2011, the Parent Company listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million ($6.8 million). The Parent Company incurred transaction costs incidental to the IPO amounting to ₱47.3 million ($1.1 million), which is charged against "Additional paid-in capital" in 2011. As of December 31, 2011, the Parent Company's has 162,163,000 issued common shares.

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

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

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

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

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

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

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

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

On November 4, 2015, the Parent Company's FOO was completed. The Parent Company issued 80,000,000 new shares at issue price of ₱20 per share for a total amount of $34.2 million. The Parent Company incurred transactions costs incidental to FOO amounting to $1.2 million which is charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

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

Parent Company Shares Held by a Subsidiary
On December 23, 2016, CEC acquired a total of 112,018,659 common shares of the Parent Company for ₱2.3 billion ($49.6 million). The shares purchased were recorded at cost and deducted from equity in the consolidated balance sheet.

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

b. Preferred Shares

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

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

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

c. Retained Earnings

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

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

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

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

29. Commitments

The following are the significant commitments and contingencies involving the Group:

Outsourcing Manufacturing Agreement (OMA)
On July 30, 2014, CATS entered into an OMA (herein referred to as the "Agreement") with RBWHI in conjunction with the Share Purchase Agreement (SPA) entered into between CEIC and RBWHI. CATS will perform manufacturing services to RBWHI in accordance with the production files and specifications as provided in the Agreement. The contract term is for ten (10) years with automatic renewal of additional one (1) year period. All payments to CATS shall be made in US Dollars and shall be paid sixty (60) days after the receipt of the invoice.

Master Service Agreement (MSA)
CATS entered into an MSA with RBWHI on July 30, 2014 where CATS will provide to RBWHI the services of selected employees and consultants (or "Business Services") of CATS. CATS shall be responsible for and shall timely pay any and all compensation and benefits payable to the employees of and consultants of CATS who perform Business Services. MSA has a ten (10) year term with automatic renewal of additional one year period.

Manufacturing Services Agreement (MSA)
On October 20, 2015, CATS, "the Seller", entered into a manufacturing service agreement with a customer, whereas the customer desires to purchase the products defined in the agreement specifically for its latest range of mm-Wave converter products. The term of the agreement is 3 years from the effective date subject to automatic renewal for one year every year thereafter.

On November 4, 2015, CATS and Quintel Technology Ltd. entered into a master supply agreement that covers the manufacturing of specific antennas and other Quintel products set forth in individual purchase order agreements. The initial term for this agreement shall be for a period of 3 years. CATS shall also provide support services for the following: New Product Introduction, Production experiments, and Mass volume production. All payments to CATS shall be placed within 90 days following the end of the month after receipt of invoice.

On April 20, 2016, the contract was amended to extend the contract term, from a period of 3 years to a period of 5 years from the commencement date of the original agreement.

30. Note to Statement of Cash Flows

The Group has noncash investing activity representing the transfer of ownership over the assets and liabilities assumed related to the acquisition of CATS entities in 2014, 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.

31. Other Matters

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 of December 31, 2016 and 2015 and results of operations for the years ended December 31, 2016, 2015 and 2014.

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

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

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

We have audited the accompanying consolidated financial statements of Cirtek Holdings Philippines Corporation and its Subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 in accordance with Philippine Standards on Auditing, and have issued our report thereon dated April 12, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

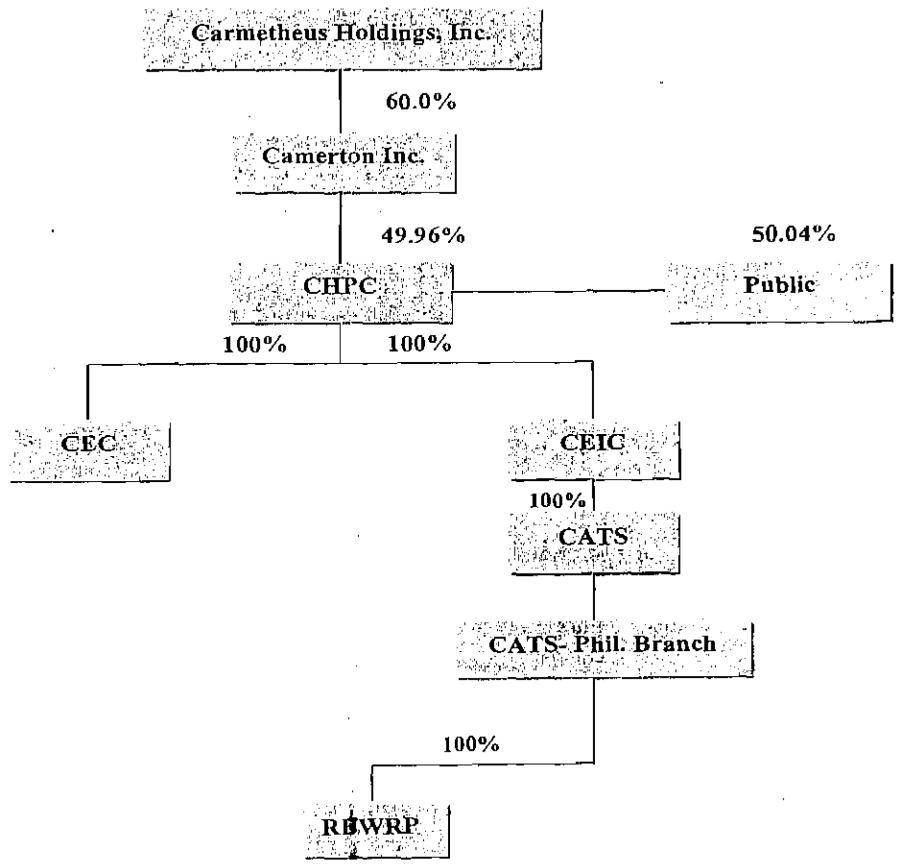
April 12, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3 : Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3 : Scope Exceptions for Joint Arrangements			✓

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Changes in Method of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8 : Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Asset			✓
PFRS 9	Financial Instruments*		✓	

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13 : Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1, Disclosure Initiative	✓		

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 : Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and 38: Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Regional Market Issue Regarding Discount Rate	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment: Equity Method in Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	✓		

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

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

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surfaee Mine			✓
IFRIC 21	Levies	✓		

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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Ineentives			✓
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			✓

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

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

CIRTEK HOLDINGS PHILIPPINES CORPORATION
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2016

Ratios	Formula	December 31, 2016	December 31, 2015
(i) Current Ratio	Current Assets/Current Liabilities	**1.54**	3.11
(ii) Debt/Equity Ratio	Bank Debts/ Total Equity	**2.99**	0.48
(iii) Net Debt/Equity Ratio	Bank Debts-Cash & Equivalents/Total Equity	**2.02**	0.06
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**4.86**	1.69
(iv) Interest Cover Ratio	EBITDA/Interest Expense	**8.90**	6.90
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.17**	0.16
Net Profit Margin	Net Income/Revenues	**0.10**	0.09
EBITDA Margin	EBITDA/Revenues	**0.16**	0.15
Return on Assets	Net Income/Total Assets	**0.06**	0.04
Return on Equity	Net Income/Total Equity	**0.30**	0.07

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotation at the end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	$24,511,493	$24,511,493	$172,196
Trade and other receivables	N/A	23,172,423	23,172,423	–
Financial asset at FVPL	N/A	503	503	199,537
Amounts owed by related parties	N/A	12,436,575	12,436,575	–
Other current assets:				
Rental deposit	N/A	1,131,399	1,131,399	–
Security deposit	N/A	180,387	180,387	–
Loan to employees	N/A	239,823	239,823	–
HTM investments	N/A	371,520	371,520	8,362
AFS financial asset	N/A	1,667,000	1,667,000	–
Other noncurrent assets:				
Loans to employees	N/A	7,889	7,889	–
Miscellaneous deposits	N/A	135,559	135,559	–
		$63,854,571	$63,854,571	$380,095

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 OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

Amounts Receivable from Officers, Employees and 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
Jerry Liu (Chairman)	$8,558,051	$1,750,990	$–	$10,309,041	$–	$10,309,041
Employees	122,062	30,306	35,866	116,502	–	116,502
	$8,680,113	$1,781,296	$35,866	$10,425,543	$–	$10,425,543

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 Holdings, Inc.	$1,809,256	$–	$–	$1,809,256	$–	$1,809,256
Camerton, Inc.	33,161	78,833	–	111,994	–	111,994
Cayon Holdings, Inc.	206,284	–	–	206,284	–	206,284
	$2,048,701	$78,833	$–	$2,127,534	$–	$2,127,534

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

AS OF AND FOR THE PERIOD ENDED DECEMBER 31, 2016

Receivables from 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	Noncurrent	Balance at end of period
Cirtek Electronics Corporation	$13,121,898	$61,154,767	32,474,001	$–	$41,802,664	$–	$41,802,664
Cirtek Electronics International Corporation	21,851,682	20,170,548	19,006,369	–	23,015,861	–	23,015,861
Cirtek Holdings Philippines Corporation	40,769,256	49,566,534	–	–	90,335,790	–	90,335,790
Cirtek Advanced Technologies and Solutions, Inc.	4,354,635	12,641	–	–	4,367,276	–	4,367,276
RBW Realty and Property, Inc.	297,394	–	274,775	–	22,619	–	22,619
	$80,394,865	$130,904,490	$51,755,145	$–	$159,544,210	$–	$159,544,210

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	$50,897,189	$69,737,287	$18,622,689	$–	$102,011,787	$–	$102,011,787
Cirtek Electronics International Corporation	9,000,000	1,131,522	938,706	–	9,192,816	–	9,192,816
Cirtek Advanced Technologies and Solutions, Inc.	5,877,751	19,183,720	834,053	–	24,227,418	–	24,227,418
Cirtek Holdings Philippines Corporation	10,265,290	41,696,069	32,023,638	–	19,937,721	–	19,937,721
RBW Realty and Property, Inc.	4,354,635	–	180,167	–	4,174,468	–	4,174,468
	$80,394,865	$131,748,598	$52,599,253	$–	$159,544,210	$–	$159,544,210

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS OF DECEMBER 31, 2016

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
Product development costs	$569,942	$547,166	$194,888	$–	$–	$922,220

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF DECEMBER 31, 2016

	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	$44,250,000	$6,882,126	$36,977,845

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS OF DECEMBER 31, 2016

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 OF DECEMBER 31, 2016

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 OF DECEMBER 31, 2016

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
Common Stock	520,000,000	419,063,353	–	320,907,217	9	–
Preferred Stock	400,000,000	–	–	–	–	–

107012013004080

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

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Edmundo Guia
Receiving Branch : SEC Head Office
Receipt Date and Time : July 01, 2013 04:14:19 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	CS201102137
Company Name	CIRTEK HOLDINGS PHILIPPINES CORPORATION
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

Document ID	107012013004080
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	July 01, 2013
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	ACGR

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".

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

TABLE OF CONTENTS

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 a. Selection/Appointment	Process Adopted	Criteria
(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 prescreen 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. Reinstatement		
(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	Nella 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		
Nomination	NO CHANGES	
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		Details of its Functions
	Please see discussion on risk management	

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	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
	Systems Audit			
	Product Audit			
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	No issues
Findings	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."

[illegible] 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 econpmic 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.

[illegible] 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

SIGNATURES

[illegible]
Chairman of the Board

[illegible]
Chief Executive Officer

[illegible]
Independent Director

[illegible]
Independent Director

[illegible]
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
[illegible]	[illegible]	DFA Manila
[illegible]	[illegible]	DFA [illegible]
[illegible]	[illegible]	DFA Manila
[illegible]	[illegible]	DFA [illegible]

ATTY. JOEL [illegible] ORDOLA
NOTARY PUBLIC
NOTARIAL [illegible] NO. 066
COMMISSION [illegible] DEC. 31, 2013
PTR NO. [illegible] 2013, Q.C.
IBP NO. 834480, [illegible] 2011, Q.C.
ROLL OF ATTORNEY NO. 35103

Doc. No. [illegible]
Page No. [illegible]
Book No. [illegible]
Series of [illegible]