

SEC Number 14812
FILE Number

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC.
(Company's Full Name)

851 Antonio Arnaiz Avenue, Makati City
(Company's Address)

(632) 818-87-11
(Telephone Number)

DECEMBER 31
(Fiscal Year Ending)
(month & day)

SEC FORM 17-Q
Form Type

Amendment Designation (If applicable)

March 31, 2019
Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 2019
2. Commission identification number 14812 3. BIR Tax Identification No. 047-000-110-888
4. Exact name of issuer as specified in its charter

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC.

5. Province, country or other jurisdiction of incorporation or organization
Metro Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
Chemphil Bldg., 851 A. Arnaiz Ave., Legaspi Village, Makati City 1229
8. Issuer's telephone number, including area code
(063) (02) 8185206
9. Former name, former address and former fiscal year, if changed since last report
Not applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA
- | Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|------------------------------------|---|
| <u>Common Stock, P10 par value</u> | <u>10,296,601 common shares</u> |

11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
Philippine Stock Exchange Common shares

12. Indicate by check mark whether the registrant:
- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes [] No []

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

Yes [**X**] No []

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited Consolidated Financial Statements of Chemical Industries of the Philippines, Inc. (CIP) for the quarter ended March 31, 2019 are incorporated herein by reference.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation for the quarter ended March 31, 2019.

1. Plan of operation

For the next twelve months CIP, the parent company, will continue with its leasing of office space to related and outside parties.

CIP's subsidiaries:

CAWC Inc. (CAWC)

The Company has ceased its manufacturing and trading operations.

Kemwater Philippines Corp. (KPC)

The Company has ceased its manufacturing and trading operations.

Chemphil Manufacturing Corp. (CMC)

The Company has ceased its manufacturing and trading operations.

The Group has no plans to raise additional funds during the next twelve months.

The Group has no intention to perform product research and development.

There is also no plan to purchase or sell any significant equipment.

There will be no changes in the number of employees during the year.

2. Management's Discussion and Analysis

A. Results of Operation

Consolidated revenue for the first quarter of 2019 amounted to P2.2 million, 24% higher than the first quarter 2018 consolidated revenue of P1.8 million.

Consolidated operating expenses for the interim period amounted to P6.2 million, 61% lower than the first quarter of 2018 of P15.6 million.

The Company incurred a consolidated net loss of P4.0 million in the first quarter of 2019 versus the P13.7 million consolidated net loss in the same period of last year.

The following are accounts for the quarter ended March 31, 2019 which have material changes versus the same period in 2018:

	Jan-Mar 2019 (P'000)	% Fav (Unfav)	Jan-Mar 2018 (P'000)
Operating expenses	(6,176)	-61%	(15,647)
Interest income - net	-	-100%	56
Other Income(expenses) - net	(2)	-102%	96

- Operating expenses - the 2018 expenses was higher due to the payment of tax assessment and professional fee
- Interest income (net) – no interest income from money market placements was recorded in 2019
- Other income – there was no sale of scrap materials in 2019 as compared with 2018

Below are the key performance indicators used by the Company to determine its profitability:

	Jan-Mar 2019	Jan-Mar 2018
Gross profit (loss) margin	0	0
Rate of return on revenues	(1.81)	(7.75)
Net income (loss) to stockholders' equity	(0.004)	(0.02)

Formulae:

Gross profit margin = Gross profit/ Revenues

Rate of return on revenues = Net income after tax/ Revenues

Net income to stockholders' equity = Net income after tax/Stockholders' equity

There were no gross margins in the first quarters of 2019 and 2018 since there were no sales revenues.

Rate of return in the first quarter this year showed a negative 181% from negative 775% in the same period last year mainly due to the decrease in operating expenses.

The ratio of net loss to equity in the first quarter of 2019 went down to 0.4% from 2% in the same period of 2018.

B. Financial Condition

Consolidated assets amounted to P1.395 billion and P1.397 billion as of March 31, 2019 and December 31, 2018, respectively. Consolidated current assets amounted to P35.7 million as of March 31, 2019 versus P37.9 million as of December 31, 2018.

Consolidated liabilities amounted to P470.5 million as of March 31, 2019, higher than the December 31, 2018 balance of P468.9 million. Stockholders' equity stood at P924.2 million and P928.2 million as of March 31, 2019 and December 31, 2018, respectively.

Below are the March 31, 2019 balance sheet accounts with material changes as compared with the December 31, 2018 balances:

	Mar 2019 (P'000)	% Inc (Dec)	Dec. 2018 (P'000)
Cash and cash equivalents	28,188	-12%	32,104
Due from related parties	1,701	-	0
Other current assets	1,921	-5%	2,017
Property, plant & equipment - at cost	1,447	-9%	1,590
Due to related parties	2,568	123%	1,151

- a. Cash and cash equivalents – the decrease was due to the payment for operating expenses.
- b. Due from related parties – the increase was due to the advances by the related parties.
- c. Other current assets – the decrease was due to the lower prepaid expenses in 2019.
- d. Property, plant & equipment - net, at cost – the decrease was due to the depreciation of the assets.
- e. Due to related parties – the increase was due to the advances to related parties.

Below are the key performance indicators used by the Company to determine its liquidity and solvency:

	Mar 2019	Dec 2018
Current ratio	0.22:1	0.23:1
Debt-to-equity ratio	0.51:1	0.51:1

Formulae:

Current ratio = Current assets/Current liabilities

Debt to equity ratio = Total liabilities/Stockholders' equity

The current ratio as of March 31, 2019 stood at P0.22, slightly lower than the December 31, 2018 ratio of P0.23.

The ratio of debt to equity as of March 31, 2019 remained the same with the December 31, 2018 ratio of P0.51.

The Company and its subsidiaries are neither affected by seasonality nor cyclicity of interim operations.

There were no unusual transactions or events that occurred in the first quarter of 2019.

There were no issuances, repurchases and repayments of debt and equity securities during the interim period.

No dividends were declared during the interim period.

There were no material events that occurred subsequent to the interim period.

There were no changes in the composition of the issuer during the interim period.

There were no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the period.

There are no events that will trigger direct or contingent financial obligations that are material to the Company, including any default or acceleration of an obligation:

The Company is not aware of any trends, demands, commitments, events or uncertainties that would have material impact on its liquidity.

The Company has no knowledge on any events in the future that will have a material effect on the results of its operation nor on its financial condition.

C. Subsidiaries' Results of Operation

CAWC

CAWC had no sales in the first quarters of 2019 and 2018.

CAWC incurred a net loss of P1.0 million during the first quarter of 2019 versus the P0.9 million net loss in the same period of 2018.

Below are the key performance indicators used by CAWC in determining its profitability and liquidity:

	Jan - Mar 2019	Jan - Mar 2018
Gross profit (loss) margin	0	0
Rate of return on sales	0	0

	Mar 2019	Dec 2018
Current ratio	0.003:1	0.003:1

There were no gross profit margin and rate of return on sales in the first quarters of 2019 and 2018 since there were no sales revenues.

The current ratio as of March 31, 2019 remained unchanged with the December 31, 2018 ratio of P0.003.

KPC

There were no sales in the first quarters of 2019 and 2018.

KPC incurred a net loss of P0.5 million in the first quarter of 2019 against the net loss of P0.4 million in the same period of 2018.

Below are the key performance indicators used by KPC in determining its profitability and liquidity:

	Jan - Mar 2019	Jan - Mar 2018
Gross profit (loss) margin	0	0
Rate of return on sales	0	0
	Mar 2019	Dec 2018
Current ratio	0.78:1	0.81:1
Debt-to-equity ratio	0.70:1	0.68:1

There were no gross profit margin and rate of return on sales during the first quarters of 2019 and 2018 since there were no sales revenues.

The current ratio as of March 31, 2019 slightly decreased to P0.78 from P0.81 in December 2018.

The ratio of debt to equity as of March 31, 2019 slightly increased to P0.70 from the December 31, 2018 ratio of P0.68.

CMC

CMC also had no sales in the first quarters of 2019 and 2018.

CMC incurred a net loss of P2.1 million in the first quarter of 2019 against the P7.4 million net loss in the same period of 2018.

Below are the key performance indicators used by CMC in determining its profitability and liquidity:

	Jan - Mar 2019	Jan - Mar 2018
Gross profit (loss) margin	0	0

Rate of return on sales	0	0
Net income (loss) to stockholders equity	(0.01)	(0.01)
	Mar 2019	Dec 2018
Current ratio	0.34:1	0.35:1
Debt-to-equity ratio	0.71:1	0.71:1

There were no gross profit margin and rate of return on sales during the first quarters of 2019 and 2018 since there were no sales revenues.

The current ratio as of March 31, 2019 slightly decreased to P0.34 from P0.35 in December 2018.

The ratio of debt to equity as of March 31, 2019 remained the same with the December 31, 2018 ratio of P0.71.

3. Financial Soundness Indicators

Following are the significant indicators used by the Group to determine its financial soundness:

	Mar 2019	Mar 2018
Asset to Equity ratio	1.66	1.69
Times-Interest Rate Coverage ratio	-	-
Book Value per Share	81.54	71.94

Formulae:

Asset to Equity = Total Assets/Equity Attributable to Parent Company stockholders

Times-Interest Rate Coverage Ratio = EBIT(Earnings before interest and taxes)/total interest expense

Book Value per share = Equity Attributable to Parent Company stockholders/Outstanding shares

Other financial indicators to determine the Group's liquidity, solvency and profitability are considered by the Group as key performance indicators and are already included in the above discussion of the results of operation and financial condition.

PART II – OTHER INFORMATION

A. Reports on SEC Form 17-C

There are no reports on SEC Form 17-C filed to the Commission for the first quarter of 2019.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : **CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC.**

Signature and Title :


ALEXANDRA G. GARCIA
Chief Operating Officer

Date May 17, 2019


RANDOLPH M. AGUIRRE
Group Controller/Principal Accounting Officer

Date May 17, 2019

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES
Consolidated Statements of Financial Position

	March 2019 (Unaudited)	December 2018 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	9,835,552	11,752,136
Short-term investments	18,352,394	20,352,394
Receivables - net (Note 4)	3,903,924	3,795,484
Due from related parties (Note 6)	1,700,721	-
Other current assets (Note 5)	1,920,691	2,016,997
Total Current Assets	35,713,282	37,917,011
Noncurrent Assets		
Property, plant and equipment		
At revalued amounts	1,196,428,981	1,196,428,981
At cost - net	1,447,396	1,589,755
Investment properties	121,567,609	121,567,609
Retirement plan asset	1,390,927	1,390,927
Other noncurrent assets	38,178,401	38,178,401
Total Noncurrent Assets	1,359,013,314	1,359,155,673
TOTAL ASSETS	1,394,726,596	1,397,072,684
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	97,509,591	97,297,400
Dividends payable	66,159	66,159
Provisions	63,405,732	63,405,732
Due to related parties (Note 6)	2,568,295	1,150,851
Total Current Liabilities	163,549,777	161,920,142
Noncurrent Liabilities		
Deferred income tax liability - net	306,956,110	306,956,110
Total Noncurrent Liabilities	306,956,110	306,956,110
Total Liabilities	470,505,887	468,876,252
Equity		
Attributable to equity holdings of the Parent Company :		
Capital stock	102,966,880	102,966,880
Additional paid-in capital	16,621,243	16,621,243
Net changes in fair values of available-for-sale financial assets, net of related deferred tax	29,912,589	29,912,589
Revaluation increment on land, net of related deferred income tax	681,457,156	681,457,156
Equity reserves	17,503,109	17,503,109
Remeasurement loss on retirement benefits - net	(7,614,607)	(7,614,607)
Retained earnings	(1,300,888)	1,981,623
	839,545,482	842,827,993
Less cost of 87 shares held in treasury	870	870
	839,544,612	842,827,123
Noncontrolling interests	84,676,097	85,369,309
Total Equity	924,220,709	928,196,432
TOTAL LIABILITIES AND EQUITY	1,394,726,596	1,397,072,684

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Unaudited)

	2019	2018
	January to March	January to March
REVENUE		
Net sales	-	-
Rental	2,202,768	1,770,153
	2,202,768	1,770,153
COST OF SALES AND SERVICES	0	-
GROSS PROFIT (LOSS)	2,202,768	1,770,153
OTHER INCOME (EXPENSES)		
Operating expenses (Note7)	(6,176,191)	(15,647,425)
Interest - net	-	55,625
Others - net	(2,300)	96,250
	(6,178,491)	(15,495,550)
LOSS BEFORE INCOME TAX	(3,975,723)	(13,725,397)
PROVISION FOR INCOME TAX		
Current	-	-
NET LOSS	(3,975,723)	(13,725,397)
Net loss attributable to:		
Equity holdings of the Parent Company	(3,282,511)	(11,688,808)
Noncontrolling interests	(693,212)	(2,036,589)
	(3,975,723)	(13,725,397)
Total comprehensive loss attributable to:		
Equity holdings of the Parent Company	(3,282,511)	(11,688,808)
Noncontrolling interests	(693,212)	(2,036,589)
	(3,975,723)	(13,725,397)
Basic/diluted, for net income attributable to equity holdings of the parent	(0.319)	(1.135)
<i>weighted average number of shares of 10,296,601, net of 87 treasury shares</i>		

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

As of March 31, 2019

	Capital Stock	Additional paid-in capital	Revaluation increment on land, net	Net changes in fair values of available-for-sale investment, net	Equity Reserves	Remeasurement Losses on Retirement Benefit, net	Retained Earnings		Treasury stock	Total	Noncontrolling interests	Total
							Appropriated	Unappropriated				
Balances at January 1, 2019	102,966,880	16,621,243	681,457,156	29,912,589	17,503,109	(7,614,607)	870	1,980,753	(870)	842,827,123	85,369,309	928,196,432
Net income (loss)								(3,282,511)		(3,282,511)	(693,212)	(3,975,723)
Balances at March 31, 2019	102,966,880	16,621,243	681,457,156	29,912,589	17,503,109	(7,614,607)	870	(1,301,758)	(870)	839,544,612	84,676,097	924,220,709

As of March 31, 2018

	Capital Stock	Additional paid-in capital	Revaluation increment on land, net	Net changes in fair values of available-for-sale investment, net	Equity Reserves	Remeasurement Losses on Defined Benefit Plan, net	Retained Earnings		Treasury stock	Total	Noncontrolling interests	Total
							Appropriated	Unappropriated				
Balances at January 1, 2018	102,966,880	16,621,243	559,926,191	17,970,989	15,571,694	(7,614,607)	870	46,975,517	(870)	752,417,907	82,766,972	835,184,879
Net Income (loss)								(11,688,808)		(11,688,808)	(2,036,589)	(13,725,397)
Balances at March 31, 2018	102,966,880	16,621,243	559,926,191	17,970,989	15,571,694	(7,614,607)	870	35,286,709	(870)	740,729,099	80,730,383	821,459,482

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (unaudited)

	2019	2018
	January to March	January to March
Cash flows from operating activities		
Income (loss) before income tax	(3,975,723)	(13,725,397)
Adjustments for:		
Depreciation	142,359	142,360
Other income	-	(96,250)
Interest income	-	(55,625)
Operating income before working capital changes	(3,833,364)	(13,734,912)
Decrease (increase) in :		
Receivables	(108,440)	(779,438)
Due from related parties	(1,700,721)	(242,627)
Other current assets	96,305	(1,640,479)
Increase (decrease) in :		
Accounts payable and accrued expenses	212,192	204,110
Due to affiliates	1,417,444	22,700
Accrued retirement benefits payable	-	122,198
Cash from operations	(3,916,584)	(16,048,448)
Dividends paid	-	(176,748,030)
Interest received	-	55,625
Net cash flows from operating activities	(3,916,584)	(192,740,853)
Cash flows from investing activities		
Proceeds from (investments in) short-term investments	2,000,000	5,000,000
Net cash provided by (used in) investing activities	2,000,000	5,000,000
Cash flows from financing activities		
Proceeds from (payment) of :		
Increase (decrease) in amounts due to related parties	-	22,700
Net cash provided by (used in) financing activities	-	22,700
Net increase(decrease) in cash and cash equivalents	(1,916,584)	(187,718,153)
Cash and cash equivalents at beginning of the quarter	11,752,136	209,818,532
Cash and cash equivalents at end of quarter	9,835,552	22,100,379

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets held through OCI which have been measured at fair value and parcels of land, classified as property and equipment, which are carried at revalued amounts. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional and presentation currency. Amounts are rounded to the nearest peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

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, 2018.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*

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

The Group has not restated the comparative information, which continues to be reported under PAS 39. Differences arising from adoption of PFRS 9 have been recognized directly in retained earnings. The Group applied PFRS 9 retrospectively, with an application date of January 1, 2018. The effect of adopting PFRS 9 is as follows:

(a) Classification and measurement

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

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

The Group's debt financial assets consist of cash and in banks, receivables and due from related parties which are previously classified as loans and receivables. The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held to collect all contractual cash flows until their

maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

The Group has other financial assets pertaining to investment in golf and club shares with published or quoted market price and unquoted securities previously accounted for as available-for-sale (AFS) investment measured at fair value with unrealized gains or losses recognized as other comprehensive income. The Group concluded that these investments shall be classified as equity instruments designated at FVOCI under PFRS 9 as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized for these investments in prior periods.

There were no significant changes to the classification and measurement of financial liabilities. As of March 31, 2019 and December 31, 2018, the Group does not hold financial liabilities designated at fair value through profit or loss.

Accordingly, the adoption of PFRS 9 has not resulted in significant impact in the measurement of its financial assets and liabilities.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to record ECL for trade and other receivables and for other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts, if any. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For cash and in banks, short-term investments and refundable deposits, the Group evaluated that these financial assets have low credit risk. Hence, the Group measured ECL on these instruments on a 12-month basis applying the low credit risk simplification. The Group uses external credit ratings both to determine whether the cash and in banks, short-term investments and refundable deposits has significantly increased in credit risk and to estimate ECL.

For receivables, the Group applied a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group considers a financial asset in default when contractual payments are more than 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The Group has determined that financial assets that are more than 180 days past due are considered in default because counterparties are typically unable to settle their financial obligations to the Group by this period despite expending reasonable efforts to enforce collection.

The Group calculated the ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The mechanics of ECL calculation are outlined below and the key elements are as follows:

Probability of default (PD)	The PD represents the likelihood of a customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation
	The 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the statement of financial date and future economic conditions that affect credit risk.
Exposure at default (EAD)	EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.
Loss given default (LGD)	LGD is an estimate of the loss arising in a case where a default occurs at a given time. It is based on the difference between contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The ECL calculation using general approach is composed of three major components - PD, LGD, and EAD. The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Accounts with objective evidence of impairment are classified under Stage 3 and shall follow the Group's impairment methodology. On the other hand, Stage 1 and Stage 2 accounts shall use future values derived from the term structures of the PD and LGD. These future values also take into consideration prospective business environment conditions through the inclusion of macroeconomic forecasts. Altogether, the resulting value is called the baseline ECL.

The Group calculates ECL on individual financial asset basis.

The Company had the following required or elected reclassification as at January 1, 2018:

	PFRS 9 measurement category	
	Amortized cost (AC)	Fair value through OCI (FVOCI)
PAS 39 measurement category		
<i>Loans and receivables (L&R)</i>		
Cash	₱209,818,532	₱209,818,532
Short-term investments	30,265,693	30,265,693
Receivables	52,043,394	52,043,394
Due from related parties	33,141,097	33,141,097
Receivable from local government	48,470,975	48,470,975
Other long-term receivables	16,957,618	16,957,618
Refundable deposit	644,157	644,157
Cash in bank restricted in use	3,907,527	3,907,527
<i>Available-for-sale (AFS) investment</i>		
Listed equity instruments	22,096,843	—
		22,096,843

Non-listed equity instruments	2,000,000	–	2,000,000
Debt instruments	612,722	–	612,722
	₱419,958,558	₱395,248,993	₱24,709,565

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

	PAS 39 measurement		ECL *	PFRS 9	
	Category	Amount		Amount	Category
<i>Financial assets</i>					
Cash	L&R	₱209,818,532	₱–	₱209,818,532	AC
Short-term investments	L&R	30,265,693	–	30,265,693	AC
Receivables	L&R	5,733,174	3,178,964	2,554,210	AC
Due from related parties	L&R	24,622,998	19,895,632	4,727,366	AC
Receivable from local government	L&R	506,629	–	506,629	AC
Other long-term receivables	L&R	–	–	–	AC
Refundable deposit	L&R	644,157	60,000	584,157	AC
Cash in bank restricted in use	L&R	3,907,527	–	3,907,527	AC
Investment in equity instruments	AFS	24,096,843	–	24,096,843	FVOCI
Investment in debt instruments	AFS	612,722	–	612,722	FVOCI
		₱300,208,275	₱23,134,596	₱277,073,679	

<i>Financial liabilities</i>					
Trade and other payables	AC	₱86,537,598	₱–	₱86,537,598	AC
Due to related parties	AC	1,184,452	–	1,184,452	AC
		₱87,722,050	₱–	₱87,722,050	

The transition adjustments attributable to equity holdings of Parent Company and non-controlling interest amounted to ₱6.91 million and ₱16.22 million, respectively.

The Group determined that the amount of allowance for ECL for cash and short-term investments is not material.

(c) Hedge accounting

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

The application of hedge accounting under the new standard did not have an impact to the Group since it has no financial instruments related to hedging transactions.

Other standards effective in 2018

The following other amendments and interpretations apply for the first time in 2018 but do not have any significant impact on the financial statements of the Group.

- Amendment to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognized. It supersedes PAS 11 *Construction Contracts*, PAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenues arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

The adoption of PFRS 15 did not have significant impact on the Group's financial statements as its main revenue source arises from its lease contracts which are not within the scope of PFRS 15.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11, PAS 18 and related interpretations.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries as of March 31, 2019 and December 31, 2018. The financial statements of the subsidiaries are prepared for the same reporting year as those of the Parent Company using uniform accounting policies. These subsidiaries and the effective percentages of ownership of the Parent Company follow:

Name of Subsidiary	Place of Incorporation	Principal Activity	Percentage of ownership
CAWC	Philippines	Manufacturing*	99.67%
CMC	Philippines	Manufacturing*	73.93%
KPC	Philippines	Manufacturing*	73.97%

*Ceased operation as of 2019 and 2018

Subsidiaries are entities over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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; and
- The Parent Company's voting rights and potential voting rights.

The Parent Company reassesses 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 Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Parent Company gains control or until the date the Parent Company ceases to control the subsidiary.

Noncontrolling interest represents a portion of profit or loss and net assets of subsidiaries not held by the Parent Company, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section of the consolidated statement of financial position and consolidated statement of changes in equity, separately from the parent's equity. However, the Group must recognize in the consolidated statement of financial position a financial liability (rather than equity) when it has an obligation to pay cash in the future (e.g., acquisition of noncontrolling interest is required in the contract or regulation) to purchase the noncontrolling's shares, even if the payment of that cash is

conditional on the option being exercised by the holder. The Group will reclassify the liability to equity if a put option expires unexercised.

Noncontrolling interest shares in losses, even if the losses exceed the noncontrolling equity interest in the subsidiary. Changes in the controlling ownership interest, i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, liabilities and equities, are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any noncontrolling interest;
- Derecognizes the related other comprehensive income like 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 other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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; 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing 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.

Current versus Non-current Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Accounting policies applied after January 1, 2018

Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial asset at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Except for trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the settlement date.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both the following conditions are met:

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

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

The Group's financial assets at amortized cost includes cash, short-term investments, receivables, due from related parties, receivable from local government, other long-term receivables and refundable deposits.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as recovery of

part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has designated its investments in golf and club shares and its unquoted shares under this category.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The cash in bank, short-term investments and refundable deposits are maintained in financial institution/placed with entities graded by the external credit rating agency. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For nontrade receivables from third parties, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities classified as held for trading include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gain or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when permitted under PFRs 9, or when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

Financial liabilities designated upon initial recognition of fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance cost in the statement of profit or loss.

The Group's financial liabilities classified as loans and borrowings includes accounts payable, accrued expenses and due to related parties.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- 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.

When the Group has transferred its rights to receive cash flows from an asset or as entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues

to recognize the transferred asset to the extent of its continuing involvement. In that 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.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Accounting policies applied before January 1, 2018

Short-term Investments

Short-term investments are carried at face value with original maturities of more than three months but less than one year. Interest income derived from such investments is included in consolidated statement of comprehensive income.

Financial instruments are recognized in the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and financial liabilities on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the market place.

Initial recognition of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Classification of financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Financial assets are classified as either financial assets at FVPL, loans or receivables, held-to-maturity (HTM) investments, or available-for-sale (AFS) financial assets, as appropriate.

Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities, as appropriate. The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, reevaluates this designation at each reporting period.

All financial assets are initially recognized at fair value plus, in case of financial assets not at FVPL, directly attributable transaction costs. All financial liabilities are initially recognized at fair value less, in case of financial liabilities not at FVPL, directly attributable transaction costs.

As of March 31, 2019 and December 31, 2018, the Group's financial assets and financial liabilities consist of loans and receivables, AFS financial assets and other financial liabilities.

Subsequent measurements

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

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables.

After initial recognition, loans and receivables are carried at amortized cost using the effective interest method, less any allowance for 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 effective interest rate.

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. Loans and receivables are included in current assets if maturity is within 12 months from the reporting period. Otherwise, these are classified as noncurrent assets.

Included under this category are the Group's cash in bank, short-term investments, receivables, due from related parties and other long-term receivables.

AFS financial assets

AFS financial assets are nonderivatives that are either designated in this category or do not qualify to be classified in any of the other categories. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments are presented as part of "Other noncurrent assets" in the consolidated statement of financial position.

The unrealized gains and losses arising from the fair valuation of AFS financial assets are reported as other comprehensive income. These changes in fair values are recognized in other comprehensive income until the investment is sold, collected, or otherwise disposed of or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in profit or loss.

Included under this category are the Group's investments in proprietary club shares and unquoted securities.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading and are not designated as at FVPL upon the inception of the liability. These include liabilities arising from operating (e.g., accounts payable and accrued expenses) and financing (e.g., short and long-term borrowings) activities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss presented in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Accounts payable and accrued expenses and due to related parties are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Group is established. These are measured at amortized cost, normally equal to nominal amount.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium (or discount) and any directly attributable transaction costs.

As of March 31, 2019 and December 31, 2018, the Group classified its accounts payable and accrued expenses, dividends payable and due to related parties as other financial liabilities.

Impairment of Financial Assets

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

a. Loans and receivables

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 group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Group about loss events such as, but not limited to, significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss, if any, is recognized in profit or loss.

b. AFS financial assets

In case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investments below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset is removed from other comprehensive income and charged to operations. Recovery of impairment losses on equity investments are not reversed

through the current income. Increases and decreases in fair value subsequent to impairment are recognized directly in other comprehensive income.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value from 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 differences between the transaction price and model value is only recognized in profit or loss only 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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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 financial asset and settle the financial liability simultaneously. The Group assess 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.

Derecognition of Financial Instruments

Financial asset

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 contractual rights to receive cash flows from the financial asset have expired;
- the Group retains the right to receive cash flows from the financial 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 Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

Where the Group has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to pay.

Financial liability

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 carrying value of the original liability and the recognition of a new liability at fair value, and the difference in the respective carrying amounts is recognized in profit or loss.

Prepaid Income Taxes

Prepaid income taxes, which are included in “Other current assets”, represent excess creditable withholding taxes and are deducted from income tax payable on the same year the revenue was recognized. Excess prepaid tax can be carried over in the ensuing years and are carried at cost, net of any impairment loss.

Input Value-added Tax (VAT)

Input VAT, net of output VAT, included in “Input VAT” account in the consolidated statement of financial position, represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT estimated to be applied within 12 months after the balance sheet date is classified under other current assets; otherwise, these are classified as noncurrent assets. The input VAT is net against the output VAT.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value, except for parcels of land which are carried at revalued amounts as determined by an independent firm of appraisers using the Market Data Approach.

The appraisal increment from revaluation, net of deferred income tax, is shown as “Revaluation increment in land” account under the equity section of the consolidated statement of financial position.

Revaluation is made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period. Any resulting increase in the asset’s carrying amount as a result of the revaluation is credited directly to “Revaluation increment in land”, net of related deferred income tax liability. Any resulting decrease is directly charged against any related revaluation increment to the extent that the decrease does not exceed the amount of the revaluation increment in respect of the same asset.

Upon the disposal of the revalued land, the related revaluation increment realized in respect of the latest valuation will be released from the revaluation increment directly to retained earnings.

The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss 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 an additional cost of property and equipment.

Depreciation commences when the asset is ready and available for its intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Number of Years</u>
Land improvements	10
Buildings, structures and improvements	25-30
Machinery and equipment	3-5
Transportation equipment	3-5
Office furniture and fixtures	1-3

Depreciation ceases at the earlier of the date that the item is classified as held-for-sale in

accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The useful lives and depreciation method are periodically reviewed and adjusted if appropriate at each reporting period. Fully depreciated property and equipment are retained in the accounts until these are no longer in use.

When property and equipment carried at cost are retired or otherwise disposed of, the cost and the related accumulated depreciation and impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties pertain to parcels of land not used in operations and are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less any impairment in value.

Investment properties are derecognized when they have been either disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Impairment of Nonfinancial Assets

The carrying values of Property and Equipment (excluding land) and investment property are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. 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 a nonfinancial asset's or cash-generating unit's fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset. Any impairment loss is recognized in profit or loss.

An assessment is made at each reporting period 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. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss except for land which is carried at revalued amount where such reversal is taken as revaluation increment.

Capital Stock

Capital stock is measured at par value for all shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Treasury Stock

The Group's common shares which are reacquired and recorded at cost (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's common shares. Any difference between the carrying amount and the consideration received, if any, upon reissuance or cancellation of shares is recognized as additional paid-in-capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

Equity Reserves

Equity reserves pertain to the effect of transactions with non-controlling interest.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of changes in accounting policy and other capital adjustments.

Dividend Distributions

Dividends on common shares are recognized as a liability and deducted from equity when approved by the shareholders of the Group. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Revenue Recognition

Accounting policies applied after January 1, 2018

Revenue from contracts with customers is recognized when control of goods or services are transferred to the customers at an amount that reflects the consideration which the Group expect to be entitled to in exchange for those goods or services.

Accounting policies applied before January 1, 2018

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured as the fair value of the consideration received less any discount and value-added tax. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group concluded that it is acting as a principal in all its revenue arrangements.

Sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Sales are measured at fair value of the consideration received or receivable, net of VAT, and taking into account the amount of any sales discounts/tax, and allowance allowed by the Group.

Rental income

Rental income under operating lease agreements is recognized on a straight-line basis over the term of the lease.

Interest income

Interest income is recognized as the interest accrues.

Other income

Other income pertains to scrap sales, reversal of provisions and liabilities and charges that are incidental to the operations of the Group.

Costs and Expenses

Costs and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Costs of sales

Cost of sales is recognized as expense when the related goods are sold.

Operating expenses

Operating expenses constitute costs of administering the business and selling or distributing the merchandise and are recognized as incurred.

Retirement Benefits

The defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the financial reporting period.

Defined benefit costs comprise the following:

- Service cost;
- Interest on the defined benefit liability; and
- Remeasurements of defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as personnel costs under selling and administrative expenses in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the defined benefit liability.

Remeasurements comprising actuarial gains and losses 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.

Remeasurement loss on defined benefit plan pertaining to retrenched or retired employees are reclassified to retained earnings in the consolidated statement of changes in equity.

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 have been enacted or substantively enacted at the end of reporting period.

Deferred income tax

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

Deferred tax assets are recognized for deductible temporary differences, carry forward benefits of unused tax credits from the excess of the minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused tax credits from the excess of MCIT over RCIT and unused NOLCO can be utilized. Deferred tax is provided,

using the balance sheet liability method, on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred 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
- with respect to taxable temporary differences associated with investments in subsidiaries, associates 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.

With respect to investment in subsidiaries and associates, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled based on the tax rates that have been enacted or substantively enacted at the end of reporting period. Unrecognized deferred tax assets are re-measured at each reporting period, and are recognized to the extent that it has become probable that sufficient future taxable income will allow all or part of the deferred tax assets to be recovered.

Income tax relating to items recognized directly in comprehensive income is recognized in the consolidated statement of comprehensive income and not in profit or loss. Deferred tax assets and liabilities are offset, if a legally enforceable right exists to offset the deferred tax assets against the deferred tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, 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. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Basic and Diluted Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares issued and outstanding after considering the retroactive effect, if any, of stock dividends declared during the year.

Diluted earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of ordinary shares outstanding during the year and adjusted for the effects of all dilutive potential common shares, if any.

Events After the Reporting Period

Events after the reporting period that provide additional information about the Group's position at the end of reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group operates in the Philippines (i.e., one geographical location).

2. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances that are believed to be reasonable as of the date of the consolidated financial statements. While the Group believes that the assumptions are reasonable and appropriate, differences in the actual experience or changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

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

Use of the Going Concern Assumption

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. The underlying assumption in the preparation of consolidated financial statements is that the Group has neither the intention nor the need to liquidate and will continue to evaluate its options.

As at March 31, 2019 and December 31, 2018, management assessed that the use of going concern assumption in the preparation of the financial statements is appropriate.

Estimations and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 allowance for expected credit loss/doubtful accounts (PFRS 9, PAS 39)

The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts including, but not limited to, the age and status of the receivables, collection experience and past loss experience. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are reevaluated and adjusted as additional information received affects the amount estimated.

The carrying value of receivables, net of allowance for expected credit losses, amounted to ₱3.90 million and ₱3.80 million as of March 31, 2019 and December 31, 2018 respectively. Due from related parties, net of allowance for expected credit losses, amounted to ₱1.70 million and nil on March 31, 2019 and December 31, 2018, respectively. Allowance for expected credit losses on receivables and due from related parties amounted to ₱82.57 million as of March 31, 2019 and December 31, 2018.

Revaluation of land

The Group's parcels of land included in Property and Equipment are carried at revalued amounts. The valuations of land are performed by SEC accredited independent appraisers and were determined using market data approach. Revaluations are made with sufficient regularity such that the carrying value does not differ materially from that which would be determined using fair value at the reporting period. The last appraisal report obtained by the management is as of December 31, 2018.

The carrying values of revalued land amounted to ₱1.20 billion as of March 31, 2019 and December 31, 2018.

Recognition of deferred tax assets

The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the forecasted taxable income of the succeeding years. This forecast is based on the Group's past results and future expectations on revenues and expenses.

As of March 31, 2019 and December 31, 2018, the Group did not recognize deferred income tax asset on the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT since management believes that it is more likely that the Group will not have sufficient future taxable profits against which the deductible temporary differences and the carryforward benefits of NOLCO and excess of MCIT over RCIT can be utilized.

Estimation of provisions and contingencies

The Group has a provision for probable losses for potential claims. The estimate of the probable costs for the resolution of the claims has been developed by management and is based upon an analysis of potential results. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, 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. The amount of provision is being reassessed at least on an annual basis to consider new relevant information. Provisions as of March 31, 2019 and December 31, 2018 amounted to ₱63.41 million.

3. Cash and Cash Equivalents

This account consists of:

	Mar. 2019	Dec. 2018
Cash on hand and in banks	₱9,835,552	₱11,752,136
Short-term investments	18,352,394	20,352,394
	₱28,187,946	₱32,104,530

4. Receivables

This account consists of:

	Mar. 2019	Dec. 2018
Trade	₱5,886,641	6,090,536
Others	49,243,889	48,931,554
	55,130,530	55,022,090
Less: Allowance for expected credit losses	(49,430,915)	(49,430,915)
Allowance for probable loss	(1,795,691)	(1,795,691)
	₱3,903,924	₱3,795,484

5. Other Current Assets

This account consists of:

	Mar. 2019	Dec. 2018
Spare parts and factory supplies	₱6,764,974	₱6,764,974
Prepaid tax	7,525,242	7,413,836
Input VAT	8,781,734	8,687,186
Prepaid expenses	1,105,847	1,203,382
Others	307,163	511,888
	24,484,960	24,581,266
Less: Allowance for probable losses	(15,799,295)	(15,799,295)
Allowance for inventory loss	(6,764,974)	(6,764,974)
	₱1,920,691	₱2,016,997

6. Related Party Transactions

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The Group has the following significant transactions with related parties:

Related parties	Year	Amounts During the Year	Outstanding Balances	Terms	Conditions
Due from related parties					
<i>Petrochemicals Corporation of Asia-Pacific (Petrocorp)</i>					
Interest income	2019	-	P1,026,861	Noninterest-bearing; due and demandable	Unsecured, with allowance for doubtful account of P1,026,861
	2018	-	1,026,861		
Others	2019	-	7,485,778	Noninterest-bearing; due and demandable	Unsecured, with allowance for doubtful account of P7,485,778
	2018	-	7,485,778		
<i>Directors and Stockholders</i> Advances against future dividends	2019		24,558,266	-do-	Unsecured
	2018		24,558,266	-do-	
<i>VIBI</i> Rent income	2019	18,900	-		
	2018	18,900	-		
<i>Other Affiliates</i> Others	2019	1,942,130	1,770,913	Noninterest-bearing/ due and demandable	Unsecured, with allowance for doubtful account of P5,460
	2018	-	70,192		
Subtotal	2019		34,841,818		
Less: Allowance for expected credit losses			(33,141,097)		
Net			P1,700,721		
Subtotal	2018		33,141,097		
Less: Allowance for expected credit losses			(33,141,097)		
Net			P -		
Due to related parties					
<i>VIBI</i>					
Premium payable	2019	-	165	Noninterest-bearing	Unsecured
	2018	-	165	-do-	-do-
Advances	2019	-	607,019	-do-	-do-
	2018	-	607,019	-do-	-do-
Reimbursable expenses	2019	21,480	476,103	-do-	-do-
	2018	33,601	444,418	-do-	-do-
<i>Other Affiliates</i> Others	2019	1,680,312	1,485,008	Noninterest-bearing	Unsecured
	2018	-	99,249	-do-	-do-
Total	2019		P 2,568,295		
Total	2018		P 1,150,851		

7. Operating Expenses

This account consists of:

	Jan-Mar 2019	Jan-Mar 2018
Outside services	P1,577,076	P5,648,694
Taxes and licenses	1,274,752	1,139,431

Communication, light and water	633,410	603,680
Transportation and travel	61,165	268,707
Salaries and other compensation	1,647,675	1,823,797
Depreciation and amortization	142,381	142,381
Others	839,732	6,020,735
	P6,176,191	P15,647,425

8. Financial Risk Management Objectives and Policies

The Group's principal financial instruments as of March 31, 2019 comprise of cash and cash equivalents, receivables, due to/from related parties, AFS financial assets, and refundable deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. On an occasional basis, the Group obtains and/or grants advances to related parties depending on the funding requirements of the Group.

It is, and has been during the interim period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, credit risk and liquidity risk.

The Group does not consider foreign exchange fluctuation as significant risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Cash Flow Interest Rate Risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's notes payable with floating interest rate. The Group relies on budgeting and forecasting techniques to address cash flow concerns. The Group also avails of bank loans with fixed interest rates in order to manage its interest cost.

As of March 31, 2019, the Group has no financial instrument - with one-year maturity period - that is exposed to cash flow interest rate risk.

Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. Credit risk is minimized and monitored by limiting the Group's associations with business parties with high credit worthiness. Receivables are monitored on an ongoing basis through the Group's management reporting procedures. The Group does not have any significant exposure to any individual customer or counterparty.

The table below shows the maximum exposure to credit risk as of March 31, 2019.

Cash and cash equivalents	P28,187,946
Receivables	3,903,924
Other current assets	1,920,691
Other non-current assets	
Cash in bank restricted for use in operations	909,033
Refundable deposits	577,612

P35,499,206

The Group's Credit and Collection Department manages the credit quality of financial assets.

High-grade customers are those with sound financial standing, those that pay within their credit terms and require either little or nil collection efforts.

Standard grade customers are those in good financial standing but with the paying habit of settling their accounts outside of regular credit terms which require moderate follow through.

Substandard grade customers have poor financial condition and tend to default thus requiring strict follow through and monitoring.

The table below shows the credit quality by class of financial asset for loan-related balance sheet line, based on the Group's credit rating system.

March 31, 2019

	Neither past due nor impaired				Total
	High grade	Standard Grade	Past due but not impaired	Impaired	
Cash and cash equivalents	P 28,187,946	-	-	-	P 28,187,946
Trade receivables	-	P8,783	P 3,895,141	1,982,717	5,886,641
Other receivables	-	-	-	P 49,243,889	49,243,889
Other current assets	-	-	1,920,691	22,564,269	24,484,960
Cash in bank restricted for use in operations	909,033	-	-	-	909,033
Refundable deposits	574,865	-	-	-	574,865
Total	P 29,671,844	P8,783	P 5,815,832	P 73,790,875	P 109,287,334

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment when they fall due under normal and stress circumstances. To limit the risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

The Group's exposure to liquidity risk is managed by using internally generated funds and proceeds from loans. Further, the Group maintains open credit lines with local banks in order to review and revolve maturing short-term loans.

As of March 31, 2019, the Group's financial liabilities are as follows:

Accounts payable and accrued expenses	P97,509,591
Due to related parties	2,568,295
	<u>P100,077,886</u>

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, and due to/from related parties approximate their fair values because of their short-term nature.

The Group has no investments in foreign securities.

The Group has no foreign currency denominated liabilities as of March 31, 2019.

There were no changes in the financial risk exposure of the Group that would materially affect its financial condition and results of operation.

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC.
AGING OF ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2019

<u>CUSTOMER NAME</u>	<u>AMOUNT</u>	<u>CURRENT</u>	<u>01-30 DAYS</u>	<u>31-60 DAYS</u>	<u>61-90 DAYS</u>	<u>91-120 DAYS</u>	<u>121-180 DAYS</u>	<u>OVER 180 DAYS</u>
ALL UP MEDIA	230,092.39		33,090.53			2,064.86	1,853.98	193,083.02
ATELIER SACHA COTTURE	12,344.26		5,835.74		1.00	1.46	1.00	6,505.06
ACUMU CONSULTANT, INC.	14,036.86		4,825.61			74.39	1,065.25	8,071.61
ALTIN CONCIERGE SERVICES, INC.	32,695.63		32,695.63					
BONAFIDE ENERGEIA PHILS.	630.85							630.85
COMMUNIGATE	109,818.08		55,628.67					54,189.41
CHEMPHIL EMPLOYEES LIVELIHOOD FOUNDATION	649,417.85		6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	618,167.85
CGPH TRADING	73,964.05		32,679.60	30,126.34	2,512.53	2,837.39	5,808.19	
CROSSOVER TECHNOLOGY INC.	317,937.15		36,274.20	36,048.26	35,392.03	36,371.82	73,299.92	100,550.92
DIGITEL COMMUNICATION	13,730.36							13,730.36
DRA. GALANG	46,525.06		3,976.41	14,835.87	3,303.25			24,409.53
ÉMIGRE BUSINESS	571,133.08							571,133.08
GREAT WOMEN PHILIPPINES CORP.	311,031.68		55,797.19	55,081.68	53,234.48	56,762.26	69,455.45	20,700.62
HAI SHIN LOU	45,089.26		6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	13,839.26
INTERPORT TRAVEL & TOURS	630,269.14		65,952.07	106,257.84	65,562.13	66,396.24	72,497.97	253,602.89
INES CELESTINA CLOTHING	0.05							0.05
KETMAR FASTFOOD	5,470.45		3,020.87		197.25			2,252.33
LOGINSAVE, INC.	169,913.17							169,913.17
MICRO PACIFIC TECHNOLOGIES & SYSTEMS CORP.	6,953.66		6,953.66					
MR CUSTOMER DELIGHT	847.19		755.22					91.97
ORDOFOODS ENTERPRISES	1,159.32		831.79					327.53
ORDOPRIME VENTURES	875.58		755.22					120.36
PERFUMERIA ESPANOLA CORP.	56,691.57		6,541.51					50,150.06
PILIPINAS DEVELOPMENT CORP.	129,354.41							129,354.41
RSMTCE & ASSOCIATES	92,666.65		9,209.17	9,208.05	9,107.13	9,143.73	18,848.13	37,150.44
RANDY MANGIAM	245.54							245.54
SINAG ENERGY PHILS.	657,598.50		90,734.76	89,756.75	90,498.04	89,756.75	180,490.70	116,361.50
STA. ISABELLE CORP.	97,519.61		21,521.24	33,500.89	21,184.93	21,302.24		10.31
SAGUARO INTERNATIONAL INC.	198,206.25		40,403.14	(0.18)	1.60			157,801.69
SMART COMMUNICATIONS, INC.	106,742.98	8,783.47	33,690.91	4,284.61	4,284.61	4,284.61	4,284.61	47,130.16
TIGER HILLS MINING CORP.	89,442.86			-				89,442.86
ALASKA MILK CORPORATION	55,165.81	-	-	-	-	-	-	55,165.81
EUROTILES INDUSTRIAL CORP.	657.20	-	-	-	-	-	-	657.20
KENNETH G. KENTANILLA	38,955.00	-	-	-	-	-	-	38,955.00
ASIA BREWERY	13,316.34	-	-	-	-	-	-	13,316.34
CURRIMAO ALUMINUM	3,264.00	-	-	-	-	-	-	3,264.00
II-VI PERFORMANCE METALS, INC.	10,322.39	-	-	-	-	-	-	10,322.39
PHIL.PHOSPHATE FERTILIZER CORP	90,573.96	-	-	-	-	-	-	90,573.96
PHILIPPINE BATTERIES, INC.	538,815.20	-	-	-	-	-	-	538,815.20
ROSS-WEL ENTERPRISES, INC.	100,095.00	-	-	-	-	-	-	100,095.00
EMERALD CHEMICALS, INC.	180,197.82	-	-	-	-	-	-	180,197.82
WEICHEM MANUFACTURING CORP.	34,133.54	-	-	-	-	-	-	34,133.54
DENMARR TRADING	129,400.00	-	-	-	-	-	-	129,400.00
WINROSE TRADING	19,340.00	-	-	-	-	-	-	19,340.00
TOTAL	5,886,639.75	8,783.47	553,673.14	391,600.11	297,778.98	301,495.75	440,105.20	3,893,203.10