COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	5	1	1	8	1	6

COMPANY NAME

8990 Holdings, Inc. and Subsidiaries

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

11TH FLOOR LIBERTY CENTER, 104 H.V. DELA COSTA, SALCEDO VILLAGE, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
	479-8888	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
33	July 28	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Roan Buenaventurra-Torregaza	rbuenaventura@8990holdings.com	(632)533-3915	(0998) 9609383

CONTACT PERSON's ADDRESS

2nd Flr PGMC Bldg , #76 Calbayog Cor. Libertad St, Brgy. Highway Hills, Mandaluyong City

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 8990 Holdings, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Janeth T. Nuñez-Javier
Janeth T. Nuñez-Javier
Partner
CPA Certificate No. 111092
SEC Accreditation No. 1328-A (Group A),
July 1, 2013, valid until June 30, 2016
Tax Identification No. 900-322-673
BIR Accreditation No. 08-001998-69-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321671, January 4, 2016, Makati City

April 22, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAY 16 2016 TSIS
RECEIVED
MA. GRACIA AURORA L. CASTILLO

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash on hand and in banks (Note 8)	**₱600,230,905**	₱605,148,136
Current portion of trade and other receivables (Note 9)	**1,502,055,562**	947,623,417
Inventories (Note 10)	**5,092,332,659**	3,078,106,185
Due from related parties (Note 29)	**289,716,995**	133,418,914
Current portion of available for sale securities (Note 11)	**–**	1,155,111,934
Other current assets (Note 12)	**2,025,188,139**	572,834,495
Total Current Assets	**9,509,524,260**	6,492,243,081
Noncurrent Assets		
Trade and other receivables - net of current portion (Note 9)	**17,565,634,589**	13,477,108,808
Available-for-sale securities - net of current portion (Note 11)	**1,178,187,216**	23,745,500
Land held for future development (Note 13)	**6,593,194,295**	6,527,048,427
Property and equipment (Note 14)	**239,005,453**	227,132,351
Investment properties (Note 15)	**309,011,270**	296,316,181
Other noncurrent assets (Note 12)	**682,682,007**	103,108,026
Total Noncurrent Assets	**26,567,714,830**	20,654,459,293
	₱36,077,239,090	₱27,146,702,374
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of trade and other payables (Note 16)	**₱2,626,967,526**	₱2,225,801,812
Current portion of loans payable (Notes 18 and 29)	**1,980,934,640**	2,380,816,677
Deposits from customers (Note 17)	**411,732,827**	274,371,315
Due to related parties (Note 29)	**114,212,864**	369,019,267
Income tax payable	**213,934,544**	137,315,630
Total Current Liabilities	**5,347,782,401**	5,387,324,701
Noncurrent Liabilities		
Trade and other payables - net of current portion (Note 16)	**68,422,945**	18,288,452
Loans payable - net of current portion (Note 18)	**3,975,433,053**	6,453,061,864
Bonds payable (Note 19)	**8,886,496,988**	–
Deferred tax liability (Note 28)	**456,501,942**	398,813,991
Total Noncurrent Liabilities	**13,386,854,928**	6,870,164,307
Total Liabilities	**18,734,637,329**	12,257,489,008
Equity		
Capital stock (Note 20)	**5,517,990,720**	5,517,990,720
Additional paid-in capital (Note 20)	**4,400,126,855**	4,400,126,855
Remeasurement loss on pension plan (Note 26)	**(5,116,942)**	(3,559,308)
Retained earnings (Note 20)	**7,429,601,128**	4,974,655,099
Total Equity	**17,342,601,761**	14,889,213,366
	₱36,077,239,090	₱27,146,702,374

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014 (As restated Note 7)	2013 (As restated - Note 7)
REVENUES (Note 21)			
Real Estate Operations			
Real estate sales	**₱9,229,390,046**	₱7,530,055,629	₱5,226,269,751
Rental income	**45,715,166**	39,226,986	6,481,920
Others	**2,741,500**	9,321,000	1,122,087
	9,277,846,712	7,578,603,615	5,233,873,758
Sale of Timeshares	**1,874,007**	78,663,869	33,132,619
	9,279,720,719	7,657,267,484	5,267,006,377
COSTS OF SALES AND SERVICES (Note 22)			
Real Estate Operations			
Cost of real estate sales	**4,130,909,281**	3,052,559,962	1,914,839,795
Cost of rental services	**4,747,977**	7,211,795	657,382
Others	**38,664,969**	54,843,029	–
	4,174,322,227	3,114,614,786	1,915,497,177
Cost of Timeshares	**–**	15,130,146	12,140,099
	4,174,322,227	3,129,744,932	1,927,637,276
GROSS INCOME	**5,105,398,492**	4,527,522,552	3,339,369,101
OPERATING EXPENSES (Note 23)	**1,723,804,786**	1,545,055,882	1,142,826,116
FINANCE COSTS (Note 24)	**614,672,430**	396,331,069	406,466,175
OPERATING INCOME	**2,766,921,276**	2,586,135,601	1,790,076,810
OTHER INCOME (Note 25)	**1,346,939,259**	1,014,301,220	627,326,210
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	**4,113,860,535**	3,600,436,821	2,417,403,020
PROVISION FOR INCOME TAX (Note 28)	**410,329,856**	303,790,396	257,581,938
INCOME FROM CONTINUING OPERATIONS (Note 31)	**3,703,530,679**	3,296,646,425	2,159,821,082
INCOME FROM DISCONTINUED OPERATIONS (Notes 7 and 31)	**20,553,216**	12,433,162	23,863,148
NET INCOME (Note 31)	**3,724,083,895**	3,309,079,587	2,183,684,230
OTHER COMPREHENSIVE LOSS			
Item that do not recycle to profit or loss in subsequent periods:			
Remeasurement loss on pension plan (Note 26)	**(1,557,634)**	(2,126,774)	(1,432,534)
TOTAL COMPREHENSIVE INCOME	**₱3,722,526,261**	₱3,306,952,813	₱2,182,251,696
BASIC/DILUTED EARNINGS PER SHARE (Note 31)	**₱0.67**	₱0.62	₱0.52
BASIC/DILUTED EARNINGS PER SHARE FOR CONTINUING OPERATIONS (Note 31)	**₱0.67**	₱0.62	₱0.51
BASIC/DILUTED EARNINGS PER SHARE FOR DISCONTINUED OPERATIONS (Note 31)	**₱0.00**	₱0.00	₱0.01

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2015, 2014 and 2013

	Capital Stock (Note 20)	Additional Paid-in Capital (Note 20)	Equity Reserve (Notes 2 and 20)	Remeasurement Loss on Pension Plan (Note 26)	Retained Earnings (Note 20)	Total
Balance at January 1, 2015	**₱5,517,990,720**	**₱4,400,126,855**	**₱–**	**(₱3,559,308)**	**₱4,974,655,099**	**₱14,889,213,366**
Cash dividends declared by Parent Company (Note 20)	–	–	–	–	(1,269,137,866)	(1,269,137,866)
Total comprehensive income (loss)	–	–	–	(1,557,634)	3,724,083,895	3,722,526,261
Balance at December 31, 2015	**₱5,517,990,720**	**₱4,400,126,855**	**₱–**	**(₱5,116,942)**	**₱7,429,601,128**	**₱17,342,601,761**
Balance at January 1, 2014	₱4,655,804,670	₱–	₱–	(₱1,432,534)	₱1,941,475,048	₱6,595,847,184
Issuance of shares through follow-on offering (Note 20)	862,186,050	4,400,126,855	–	–	–	5,262,312,905
Cash dividends declared by Parent Company (Note 20)	–	–	–	–	(275,899,536)	(275,899,536)
Total comprehensive income (loss)	–	–	–	(2,126,774)	3,309,079,587	3,306,952,813
Balance at December 31, 2014	₱5,517,990,720	₱4,400,126,855	₱–	(₱3,559,308)	₱4,974,655,099	₱14,889,213,366
Balance at January 1, 2013	₱221,866,669	₱190,748,328	₱3,024,273,168	₱–	₱511,126,856	₱3,948,015,021
Stock dividends issued by a subsidiary (Note 20)	–	–	420,000,000	–	(420,000,000)	–
Issuance of shares through Shares Swap (Notes 2 and 20)	3,968,357,534	(190,748,328)	(3,444,273,168)	–	(333,336,038)	–
Issuance of shares through subscription (Note 20)	465,580,467	–	–	–	–	465,580,467
Total comprehensive income (loss)	–	–	–	(1,432,534)	2,183,684,230	2,182,251,696
Balance at December 31, 2013	₱4,655,804,670	₱–	₱–	(₱1,432,534)	₱1,941,475,048	₱6,595,847,184

See accompanying Notes to Consolidated Financial Statements.

8990 HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014 (As restated - Note 7)	2013 (As restated - Note 7)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	**₱4,113,860,535**	₱3,600,436,821	₱2,417,403,020
Income before income tax from discontinued operations (Note 7)	**20,557,535**	13,381,113	24,126,793
Income before income tax	**4,134,418,070**	3,613,817,934	2,441,529,813
Adjustments for:			
Interest income (Notes 7 and 25)	**(1,210,782,426)**	(901,811,810)	(533,181,127)
Finance cost (Notes 7 and 24)	**614,688,045**	395,931,324	404,614,757
Provision for credit and impairment losses (Notes 7 and 23)	**143,207,061**	130,857,268	58,414,812
Provision for (reversal of) probable losses (Notes 23 and 30)	**(79,469,175)**	77,282,541	26,340,946
Loss (gain) on repossession (Notes 21 and 22)	**38,664,969**	56,972,328	(1,122,087)
Depreciation and amortization (Notes 7 and 23)	**35,839,138**	36,629,536	22,566,268
Amortization of bond issue costs (Note 19)	**8,839,101**	–	–
Write-off of assets (Notes 7, 9 and 23)	**3,810,970**	–	64,945,573
Gain on sale of available-for-sale securities (Notes 11 and 21)	**(1,874,007)**	–	–
Pension expense (Note 26)	**1,595,596**	1,387,016	442,531
Provision for write-down (Notes 13 and 23)	**1,257,282**	22,200,000	3,646,000
Gain on sale of assets (Notes 7, 10 and 25)	**(571,399)**	(10,943,948)	–
Unrealized foreign exchange loss	**14,101**	2,879	–
Operating income before changes in working capital	**3,689,637,326**	3,422,325,068	2,448,197,486
Changes in operating assets and liabilities			
Increase in:			
Trade and other receivables	**(4,761,221,198)**	(3,549,968,401)	(4,275,829,919)
Inventories (Note 32)	**(683,306,872)**	(1,409,098,313)	(69,059,536)
Other assets (Note 32)	**(2,086,843,036)**	(284,466,528)	(404,424,065)
Increase (decrease) in:			
Trade and other payables (Note 32)	**667,256,278**	(1,051,343,269)	177,998,680
Deposits from customers	**137,361,511**	226,624,552	(57,140,966)
Net cash used in operations	**(3,037,115,991)**	(2,645,926,891)	(2,140,258,320)
Interest received	**1,213,020,188**	901,811,810	533,181,127
Interest paid	**(140,683,474)**	(385,211,596)	(364,210,661)
Income tax paid	**(250,052,366)**	(30,455,229)	(13,949,694)
Net cash used in operating activities	**(2,214,831,643)**	(2,159,781,906)	(1,985,237,548)

(Forward)

	Years Ended December 31		
	2015	2014 (As restated - Note 7)	2013 (As restated - Note 7)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Land held for future development (Notes 13 and 32)	**(₱1,454,581,648)**	(₱3,618,606,774)	(₱1,185,093,610)
Property and equipment (Note 14)	**(47,442,303)**	(63,785,065)	(81,948,759)
Investment properties (Note 15)	**–**	(80,210)	(2,201,516)
Available-for-sale securities (Notes 11 and 32)	**–**	(788,755,357)	–
Proceeds from:			
Sale of available for sale securities	**2,544,225**	–	–
Disposal of property and equipment (Notes 10, 14 and 25)	**508,687**	350,381,830	–
Maturities/termination of long-term investments	**–**	–	3,021,720
Net cash used in investing activities	**(1,498,971,039)**	(4,120,845,576)	(1,266,222,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans payable (Note 32)	**15,878,040,931**	10,324,156,087	3,732,193,226
Repayment of loans payable	**(19,369,196,475)**	(8,803,115,861)	(595,305,960)
Issuance of bonds (Note 19)	**8,877,657,887**	–	–
Issuance of shares (Note 20)	**–**	5,262,312,905	465,580,467
Payment of cash dividends (Note 20)	**(1,269,137,866)**	(275,899,536)	–
Increase in the amount of due from related parties (Note 32)	**(153,658,524)**	(373,217,602)	(370,090,338)
Increase (decrease) in the amount of due to related parties (Note 32)	**(254,806,403)**	502,502,412	87,821,282
Net cash provided by financing activities	**3,708,899,550**	6,636,738,405	3,320,198,677
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH ON HAND AND IN BANKS	**(14,101)**	(2,879)	–
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	**(4,917,231)**	356,108,044	68,738,964
CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR	**605,148,136**	249,040,092	180,301,128
CASH ON HAND AND IN BANKS AT END OF YEAR (Note 8)	**₱600,230,905**	₱605,148,136	₱249,040,092

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

8990 Holdings, Inc. (8990 Holdings or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 8, 2005 and was listed in the Philippine Stock Exchange (PSE) on October 20, 2010.

In May 2012, iHoldings, Inc., Januarius Resources Realty Corp. and Kwantlen Development Corp., collectively known as the 'Stockholders of the 8990 Group', acquired 176,400,000 shares of the Parent Company from IP Ventures, Inc. (IPVI) and IPVG Corp. (IPVG) employees. As a result, iHoldings, Inc. became the new majority owner of the Parent Company having at that time 60.53% holdings. iHoldings, Inc. is owned by Mr. Luis N. Yu, Jr. and family (the Controlling Shareholders).

The Parent Company was previously engaged in information technology and telecommunications business that provides a wide array of managed data services and business solutions. This business was discontinued prior to the acquisition of the Parent Company by the Stockholders of the 8990 Group.

On October 1, 2013, the Parent Company received the approval from the SEC of the following:

- change of the Parent Company's name from IP Converge Data Center, Inc. to 8990 Holdings, Inc.; and
- change in primary purpose from that of a data center to that of a financial holdings company.

<u>Business Combination</u>
The Parent Company entered into a Deed of Exchange of Shares with the Stockholders of the 8990 Group on May 6, 2013 as amended and supplemented on June 8, 2013 (the Shares Swap). The 8990 Group consists of:

- 8990 Housing Development Corporation (8990 HDC)
- Fog Horn, Inc. (FHI)
- 8990 Luzon Housing Development Corporation (8990 LHDC)
- 8990 Davao Housing Development Corporation (8990 DHDC)
- 8990 Mindanao Housing Development Corporation (8990 MHDC)
- 8990 Leisure and Resorts Corporation (8990 LRC)

Under the Deed of Exchange of Shares, all the economic and voting rights pertaining to the shares of the 8990 Group shall absolutely vest with the Parent Company on May 6, 2013. Thus, on the said date, the entities comprising 8990 Group became wholly-owned subsidiaries of the Parent Company.

After the Shares Swap and the subscription of certain individual investors (see Note 20), the Controlling Shareholder's interest was reduced from 60.53% to 50.65%.

<u>Secondary Offering</u>
On April 15, 2014, the Parent Company issued additional 862,186,050 shares by way of follow-on offering, which resulted in dilution in the percentage of ownership of iHoldings, Inc. in the Parent Company from 50.65% to 43.44%. As a result, iHoldings, Inc. lost its control over the 8990 Group.

Principal Place of Business
The registered office address of the Parent Company is at 11th Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City.

2. Summary of Significant Accounting Policies

Acquisition of 8990 Group
As discussed in Note 1, the Parent Company entered into a Deed of Exchange of Shares with the Stockholders of the 8990 Group, thus the Parent Company became a holding company of the 8990 Group. The Parent Company and its Subsidiaries, now comprising "the Group", are under common control of the Controlling Shareholders before and after the Shares Swap transaction on May 6, 2013.

The Shares Swap transaction involving the Parent Company and 8990 Group were accounted for similar to a pooling of interests method and reverse acquisition, with 8990 HDC as the accounting acquirer under Philippine Financial Reporting Standards (PFRS) 3, *Business Combinations*. 8990 HDC is the largest 8990 entity comprising about 71.0% of the total assets of the 8990 entities. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the 8990 Group. Since the entities under the 8990 Group are under common control, the accounts and transactions as reflected in the stand-alone financial statements of these entities were combined using the pooling of interests method.

The 8990 Group consolidated the assets, liabilities, income and expenses of the Parent Company starting May 2012, which was the date when the Controlling Shareholders acquired or gained control over the Parent Company.

The 8990 Group has no basis to prepare the consolidated financial statements, prior to the Shares Swap transaction.

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso. The functional currency of each of the Parent Company's subsidiaries is the Philippine peso. All values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with PFRS.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and the following wholly-owned subsidiaries:

- 8990 HDC
- FHI
- 8990 LHDC
- 8990 DHDC
- 8990 MHDC

- 8990 LRC
- Euson Realty & Dev't. Corp. (ERDC) (wholly owned subsidiary of 8990 HDC)
- Tondo Holdings Corporation (THC) (wholly owned subsidiary of 8990 HDC)

The subsidiaries are incorporated in the Philippines and are involved in the following relevant activities:

- construction and development of low-cost mass housing;
- construction and development of medium-rise and high rise-condominium units;
- issuance of timeshares; and
- hotel operations (discontinued in 2015 as discussed in Note 7).

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

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

The Group 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, expenses, and other comprehensive income (OCI) of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The consolidated financial statements are prepared for the same reporting period as the Parent Company's financial statements, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for within equity. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

When a change in ownership interest in a subsidiary occurs which results in a loss of control over the subsidiary, the Parent Company:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- 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 Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Common control business combinations

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

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

The equity reserve was closed to capital stock, additional paid-in capital and retained earnings upon issuance of shares of the Parent Company to the Stockholders of 8990 Group under the Shares Swap transaction in 2013.

<u>Changes in Accounting Policies and Disclosures</u>

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015.

Except as otherwise indicated, these standards did not impact the consolidated financial statements. The nature and the impact of each new standard and amendment are described below:

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

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

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

PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

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

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

PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

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

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

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

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

Significant Accounting Policies

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

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 under current market conditions (i.e., an exit price) 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 by the Group.

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

The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the consolidated statement of financial position date. Where an instrument measured at fair value has a bid and an ask price, the Group used the price within that range that is most representative of the fair value.