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# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

8990 HoldIngs, Inc.

**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 27 | 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 Buenaventura-Torregoza | rbuenaventura@8990holdings.com | (632)533-3915 | (0998) 960 9383 |

**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.*

# 8990 Holdings, Inc.

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

The management of **8990 HOLDINGS, INC.** is responsible for the preparation and fair presentation of the financial statements which comprise the statements of financial position as at December 31, 2015 and 2014, and the related statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders or members.

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

**MARIANO D. MARTINEZ JR.**
*Chairman*

**JANUARIO JESUS GREGORIO III B. ATENCIO**
*Chief Executive Officer*

Roan B. Torregoza
**ROAN BUENAVENTURA - TORREGOZA**
*Chief Finance Officer*

Signed this 8th day of April 2016.

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

SUBSCRIBED AND SWORN TO MAY 06 2016
BEFORE ME ON THIS ___ DAY OF ___
___ AT MANILA EXHIBITING
HIS HER VALID ID ___
ISSUED ___ ON ___ AT ___

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PAGE NO. 8
BOOK NO. VIII
SERIES NO. 2016

ATTY. AGUSTIN B. CABREDO
NOTARY PUBLIC FOR MANILA
NOTARIAL COMMISSION NO. 2015-030
UNTIL DEC. 31, 2016
ROLL NO. [illegible]
PTR NO. [illegible] / 1-4-16 MANILA
IBP LIFE MEMBER 05097

SGV
Building a better working world

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

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

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
8990 Holdings, Inc.
11th Floor Liberty Center
104 H.V. Dela Costa, Salcedo Village
Makati City

### Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of 8990 Holdings, Inc., which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of comprehensive income, the parent company statements of changes in equity and the parent company statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Parent Company Financial Statements*

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

*Auditors' Responsibility*

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

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

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

**8990 HOLDINGS, INC.**
**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**



| | December 31 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash on hand and in banks (Note 6) | **₱19,110,908** | ₱2,534,909 |
| Receivables (Note 7) | **1,948,289,820** | 23,298,019 |
| Due from related parties (Note 19) | **302,330,776** | 574,951,538 |
| Other current assets (Note 9) | **25,909,051** | 7,759,282 |
| Total Current Assets | **2,295,640,555** | 608,543,748 |
| **Noncurrent Assets** | | |
| Investment in subsidiaries (Note 10) | **35,988,832,460** | 33,527,869,889 |
| Loans to subsidiaries (Notes 8 and 19) | **6,622,987,282** | – |
| Property and equipment (Note 11) | **1,027,259** | 2,748,050 |
| Other noncurrent assets (Note 9) | **297,300** | 297,300 |
| Total Noncurrent Assets | **42,613,944,301** | 33,530,915,239 |
| | **₱44,909,584,856** | ₱34,139,458,987 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Trade and other payables (Note 12) | **₱122,004,300** | ₱37,652,331 |
| Due to related parties (Note 19) | **15,767,990** | 82,560,931 |
| Total Current Liabilities | **137,772,290** | 120,213,262 |
| **Noncurrent Liabilities** | | |
| Bonds payable (Note 13) | **8,886,496,988** | – |
| Pension liability (Note 16) | **125,743** | – |
| Total Noncurrent Liabilities | **8,886,622,731** | – |
| Total Liabilities | **9,024,395,021** | 120,213,262 |
| **Equity** | | |
| Capital stock (Note 14) | **5,517,990,720** | 5,517,990,720 |
| Additional paid-in capital (Note 14) | **28,480,387,538** | 28,480,387,538 |
| Net remeasurement loss on pension plan (Note 16) | **(4,341)** | – |
| Retained earnings (Note 14) | **1,886,815,918** | 20,867,467 |
| Total Equity | **35,885,189,835** | 34,019,245,725 |
| | **₱44,909,584,856** | ₱34,139,458,987 |

*See accompanying Notes to Parent Company Financial Statements.*

## 8990 HOLDINGS, INC.
## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **REVENUE** | | |
| Dividend income (Notes 10 and 14) | **₱3,223,887,536** | ₱840,000,000 |
| Interest income (Notes 6, 8 and 15) | **223,967,144** | 16,629 |
| | **3,447,854,680** | 840,016,629 |
| **EXPENSES** | | |
| Advertising and promotions | **22,062,288** | 3,613,590 |
| Rent (Note 18) | **10,081,072** | 14,543,759 |
| Professional fees | **6,868,833** | 8,739,152 |
| Salaries and wages (Notes 16 and 19) | **4,458,094** | 5,327,251 |
| Representation (Note 17) | **3,195,464** | 1,777,783 |
| Subscription fees and dues | **3,130,946** | 670,985 |
| Transportation and travel | **1,548,920** | 2,538,675 |
| Depreciation (Note 11) | **960,722** | 678,543 |
| Communication, light and water | **695,406** | 678,912 |
| Meetings and seminars | **191,124** | 288,465 |
| Provision for impairment losses (Note 9) | **190,910** | – |
| Insurance | **187,025** | 78,106 |
| Office supplies | **137,543** | 311,477 |
| Repairs and maintenance | **66,492** | 49,409 |
| Documentation | **59,035** | 1,386,806 |
| Taxes and licenses | **48,811** | 2,301,319 |
| Reversal of provision (Note 12) | **(9,842,017)** | – |
| Miscellaneous | **490,524** | 789,004 |
| | **44,531,192** | 43,773,236 |
| **OPERATING INCOME** | **3,403,323,488** | 796,243,393 |
| **FINANCE COST** (Note 13) | **(265,427,981)** | (4,070) |
| **INCOME BEFORE INCOME TAX** | **3,137,895,507** | 796,239,323 |
| **PROVISION FOR INCOME TAX** (Note 17) | **2,809,190** | 3,324 |
| **NET INCOME** | **3,135,086,317** | 796,235,999 |
| **OTHER COMPREHENSIVE LOSS** | | |
| *Item that do not recycle to profit or loss in subsequent periods:* | | |
| Remeasurement loss on pension plan (Note 16) | **(4,341)** | – |
| **TOTAL COMPREHENSIVE INCOME** | **₱3,135,081,976** | ₱796,235,999 |

*See accompanying Notes to Parent Company Financial Statements.*

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.

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

| | Capital Stock (Note 14) | Additional Paid-in Capital (Note 14) | Net Remeasurement Loss on Pension Plan (Note 16) | Retained Earnings (Deficit) (Note 14) | Total |
|---|---|---|---|---|---|
| **Balance at January 1, 2015** | **₱5,517,990,720** | **₱28,480,387,538** | **₱–** | **₱20,867,467** | **₱34,019,245,725** |
| Total comprehensive income (loss) | – | – | (4,341) | 3,135,086,317 | 3,135,081,976 |
| Cash dividends declaration (Note 14) | – | – | – | (1,269,137,866) | (1,269,137,866) |
| **Balance at December 31, 2015** | **₱5,517,990,720** | **₱28,480,387,538** | **(₱4,341)** | **₱1,886,815,918** | **₱35,885,189,835** |
| | | | | | |
| Balance at January 1, 2014 | ₱4,655,804,670 | ₱24,080,260,683 | ₱– | (₱493,468,996) | ₱28,236,596,357 |
| Issuance of shares (Note 14) | 862,186,050 | 4,400,126,855 | – | – | 5,262,312,905 |
| Total comprehensive income | – | – | – | 795,235,999 | 796,235,999 |
| Cash dividends declaration (Note 14) | – | – | – | (275,899,536) | (275,899,536) |
| Balance at December 31, 2014 | ₱5,517,990,720 | ₱28,480,387,538 | ₱– | ₱21,867,467 | ₱34,019,245,725 |

*See accompanying Notes to Parent Company Financial Statements.*

**8990 HOLDINGS, INC.**

# PARENT COMPANY STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | |
|---|---|---|
| | **2015** | 2014 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱3,137,895,507** | ₱796,239,323 |
| Adjustments for: | | |
| Dividend income (Notes 10 and 19) | **(3,223,887,536)** | (840,000,000) |
| Interest income (Notes 6, 8 and 15) | **(223,967,144)** | (16,629) |
| Reversal of provisions (Note 12) | **(9,842,017)** | – |
| Finance cost (Note 13) | **256,588,880** | – |
| Amortization of discount on bonds payable (Note 13) | **8,839,101** | 4,070 |
| Depreciation and amortization (Note 11) | **960,723** | 678,543 |
| Provision for impairment losses (Note 9) | **190,910** | – |
| Pension cost (Note 16) | **121,402** | – |
| Unrealized foreign exchange loss | **18,920** | 2,879 |
| Operating loss before working capital changes | **(53,081,254)** | (43,091,814) |
| Decrease (increase) in receivables | **106,927,134** | (31,406) |
| Increase in other current assets (Note 20) | **(18,340,682)** | (5,561,326) |
| Increase (decrease) in trade and other payables | **(106,376,596)** | 21,976,667 |
| Net cash used in operations | **(70,871,398)** | (26,707,879) |
| Interest paid | **(139,968,151)** | (4,070) |
| Interest received | **140,017,291** | 16,629 |
| Income taxes paid (Note 20) | **(2,809,190)** | (3,324) |
| Net cash used in operating activities | **(73,631,448)** | (26,698,644) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Issuance of loans to subsidiaries (Notes 8 and 10) | **(9,000,000,000)** | – |
| Dividends received (Note 10) | **1,275,899,536** | 817,000,000 |
| Acquisition of property and equipment (Note 11) | **(39,931)** | (2,125,654) |
| Additional investment to the subsidiaries through subscriptions (Note 10) | **–** | (5,270,000,000) |
| Net cash used in investing activities | **(7,724,140,395)** | (4,455,125,654) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from: | | |
| Issuance of corporate bonds (Note 13) | **9,000,000,000** | – |
| Issuance of shares (Note 14) | **–** | 5,604,209,325 |
| Payments of: | | |
| Dividends (Note 14) | **(1,269,137,866)** | (275,899,536) |
| Bond issue costs (Note 13) | **(112,342,113)** | – |
| Costs of issuance of shares through share swap and subscriptions (Note 14) | **–** | (341,896,420) |
| Decrease (increase) in the amounts of: | | |
| Due from related parties | **262,620,762** | (574,939,358) |
| Due to related parties | **(66,792,941)** | 72,338,246 |
| Net cash provided by financing activities | **7,814,347,842** | 4,483,812,257 |
| **EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES ON CASH IN BANKS** | **(18,920)** | (2,879) |
| **NET INCREASE IN CASH ON HAND AND IN BANKS** | **16,575,999** | 1,985,080 |
| **CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR** | **2,534,909** | 549,829 |
| **CASH ON HAND AND IN BANKS AT END OF YEAR** (Note 6) | **₱19,110,908** | ₱2,534,909 |

*See accompanying Notes to Parent Company Financial Statements.*

## 1. Corporate Information

8990 Holdings, Inc. (the Company or the Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on July 8, 2005.

The Company is engaged to purchase, subscribe for, acquire and own or otherwise, hold, use, invest in, develop, sell, assign, transfer, lease, take options to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including shares of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts or obligations of any corporation, without engaging in dealership in securities, in brokerage business or in the business of an investment property.

The 8990 Group consists of:

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

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

## 2. Summary of Significant Accounting Policies

Basis of Preparation
The parent company financial statements have been prepared under the historical cost basis. The parent company financial statements are presented in Philippine Peso, the Company's functional currency. All values represent absolute amounts unless otherwise stated. Amounts are presented to the nearest peso unless otherwise stated.

Statement of Compliance
The parent company financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The Company also prepared and issued consolidated financial statements for the same period in accordance with PFRS. In the consolidated financial statements, subsidiaries' undertakings have been fully consolidated. The consolidated financial statements are available for public use and can be obtained at the Company's registered office address and the SEC.

Changes in Accounting Policies and Disclosures
The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015.

Except as otherwise indicated, these standards did not impact the parent company financial statements of the Company. 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 Company, since the Company 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 are not expected to have a material impact on the Company. They include:

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

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

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

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

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

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

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

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

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

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

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

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

**Significant Accounting Policies**

Cash and Cash Equivalents
Cash represents cash on hand and in banks. Cash equivalents represent short-term cash investments with maturities of three months or less from dates of placement and that are subject to insignificant risk 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 Company.

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

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 statement of financial position date. Where an instrument measured at fair value has a bid and an ask price, the Company used the price within that range that is most representative of the fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The valuation techniques used aim to make minimum use of market inputs and rely as little as possible on entity-specific inputs and may include reference to other instruments that are judged to be substantially the same.

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) as an asset in the statement of financial position as 'Investment in Subsidiary', for transactions with the subsidiaries, otherwise, the difference is recognized in the statement of comprehensive income.

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows:

a. Level 1: those financial instruments which are quoted in active markets for identical assets or liabilities;
b. Level 2: those financial instruments involving inputs other than quoted prices included in (derived from prices); and
c. Level 3: those financial instruments with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Company's fair value hierarchy is disclosed in Note 5.

Financial Instruments - Initial Recognition and Subsequent Measurement

*Date of recognition*
The Company recognizes a financial instrument in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

*Initial recognition of financial instruments*
All financial instruments are initially recognized at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs. If part of the consideration given or received is for something other than the financial instrument, the Company measures the fair value of the financial instrument.

The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market. The Company determines the classification of its investment at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2015 and 2014, the Company has no financial instruments at FVPL, AFS and HTM investments.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets at FVPL' or designated as 'AFS investments'. Loans and receivables consist of cash on hand and in banks, loans and receivables, and due from related parties.

At initial recognition, the fair value of a long-term loan or receivable that carries no interest is to be measured as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument (similar as to currency, term, type of interest rate and other factors) with a similar credit rating. Any additional amount lent is an expense or a reduction of income unless it qualifies for recognition as some other type of asset.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the effective interest rate (EIR).

*Financial liabilities at amortized cost*
Financial liabilities at amortized cost pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR.