SEC Registration Number

					1	4	8	-	1	2

Company Name

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

851 A. ARNAIZ AVENUE, SAN LORENZO, MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CHO	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
chemphilgroup@gmail.com	819-5531	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
27	3rd Thursday of Sept.	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
ALEXANDRA G. GARCIA	aggv21@gmail.com	818-5206	09175264738

Contact Person's Address

851 A. Arnaiz Avenue, Brgy. San Lorenzo, Makati 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.

SEC Number 14812
FILE Number

<u>CHEMICAL INDUSTRIES OF THE PHILPPINES, INC.</u>
(Company's Full Name)

<u>851 Antonio Arnaiz Avenue, Makati City</u>
(Company's Address)

<u>(632) 818-52-06</u>
(Telephone Number)

<u>DECEMBER 31</u>
(Fiscal Year Ending)
(month & day)

<u>SEC FORM 17-Q</u>
Form Type

Amendment Designation (If applicable)

<u>September 30, 2018</u>
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 **September 30, 2018**

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
Common Stock, P10 par value	**10,296,601 common shares**

11. Are any or all of the securities listed on a Stock Exchange?
    Yes [**X**] 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 [**X**] 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 September 30, 2018 are incorporated herein by reference**.**

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation for the quarter ended September 30, 2018.

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 third quarter of 2018 amounted to P2.0 million, 5% higher than the third quarter 2017 consolidated revenue of P1.9 million.

Consolidated operating expenses for the interim period amounted to P7.8 million, 35% higher than the third quarter of 2017 of P5.8 million.

The Company incurred a consolidated net loss of P5.8 million in the third quarter of 2018 versus the P3.9 million consolidated net loss in the same period of last year.

The following are accounts for the quarter ended September 30, 2018 which have material changes versus the same period in 2017:

	July-Sept 2018 (P'000)	% Fav (Unfav)	July-Sept 2017 (P'000)
Operating expenses	(7,835)	36%	(5,782)
Interest income - net	20	33%	15

a. Operating expenses - the increase was due to the payment of tax assessment and professional fee in 2018
b. Interest income (net) - the increase was due to the interest income from money market placements.

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

	Jul-Sept 2018	Jul-Sept 2017
Gross profit (loss) margin	0	0
Rate of return on revenues	(2.90)	(2.04)
Net income (loss) to stockholders' equity	(0.01)	(0.004)

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 third quarters of 2018 and 2017 since there were no sales revenues.

Rate of return in the third quarter this year showed a negative 290% from negative 204% in the same period last year mainly due to the increase in operating expenses.

The ratio of net loss to equity in the third quarter of 2018 was slightly higher than the same period of last year.

B. Financial Condition

Consolidated assets amounted to P1,236.9 million and P1,443.1 million as of September 30, 2018 and December 31, 2017, respectively. Consolidated current assets amounted to P71.3 million as of September 30, 2018 versus P274.0 million as of December 31, 2017.

Consolidated liabilities amounted to P428.7 million as of September 30, 2018, lower than the December 2017 balance of P607.9 million. Stockholders' equity stood at P808.2 million and P835.2 million as of September 30, 2018 and December 31, 2017, respectively.

Below are the September 30, 2018 balance sheet accounts with material changes as compared with the December 31, 2017 balances:

	Sept 2018 (P'000)	% Inc (Dec)	Dec. 2017 (P'000)
Cash and cash equivalents	37,843	-84%	240,084
Receivables	6,396	-19%	7,909
Other current assets	2,441	78%	1,373
Property, plant & equipment - at cost	2,403	-14%	2,804
Dividends payable	65	-100%	176,813

a. Cash and cash equivalents – the decrease was due to the payment of the cash dividends in January 2018 which were declared in December 2017.
b. Receivables – the decrease was due to the collection of receivables from building tenants.
c. Other current assets – the increase was due to the expenses for 2018 which were prepaid during the first quarter.
d. Property, plant & equipment - net, at cost – the decrease was due to the depreciation of the assets.
e. Dividends payable – the decrease was due to the payment of the cash dividends declared in December 2017.

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

	Sept 2018	Dec 2017
Current ratio	0.40:1	0.77:1
Debt-to-equity ratio	0.53:1	0.73:1

Formulae:
Current ratio = Current assets/Current liabilities
Debt to equity ratio = Total liabilities/Stockholders' equity

The current ratio as of September 30, 2018 stood at P0.40, lower than the December 2017 ratio of P0.77, mainly due to the decrease in cash and cash equivalents.

The ratio of debt to equity as of September 30, 2018 decreased to P0.53 from the December 31, 2017 ratio of P0.73 due to the lower liabilities resulting from the payment of cash dividends.

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

There were no unusual transactions or events that occurred in the third quarter of 2018.

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 third quarters of 2018 and 2017.

CAWC incurred a net loss of P1.3 million during the third quarter of 2018 versus the P0.8 million net loss in the same period of 2017.

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

	Jul - Sept 2018	Jul – Sept 2017
Gross profit (loss) margin	0	0
Rate of return on sales	0	0
	Sept 2018	Dec 2017
Current ratio	0.002:1	0.002:1

There were no gross profit margin and rate of return on sales in the third quarters of 2018 and 2017 since there were no sales revenues.

The current ratio as of September 30, 2018 remained the same with the December 31, 2017 ratio of P0.002.

KPC

There were no sales in the third quarters of 2018 and 2017.

KPC incurred a net loss of P0.4 million in the third quarter of 2018 against the net loss of P0.3 million in the same period of 2017.

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

	Jul - Sept 2018	Jul- Sept 2017
Gross profit (loss) margin	0	0
Rate of return on sales	0	0
	Sept 2018	Dec 2017
Current ratio	1.25:1	1.29:1
Debt-to-equity ratio	0.80:1	0.77:1

There were no gross profit margin and rate of return on sales during the third quarters of 2018 and 2017 since there were no sales revenues.

The current ratio as of September 30, 2018 slightly decreased to P1.25 from P1.29 in December 2017.

The ratio of debt to equity as of September 30, 2018 slightly increased to P0.80 from the December 31, 2017 ratio of P0.77.

CMC

CMC also had no sales in the third quarters of 2018 and 2017.

CMC incurred a net loss of P2.1 million in the third quarter of 2018 against the P1.8 million net loss in the same period of 2017.

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

	Jul - Sept 2018	Jul - Sept 2017
Gross profit (loss) margin	0	0
Rate of return on sales	0	0
Net income (loss) to stockholders equity	(0.01)	(0.01)
	Sept 2018	Dec 2017

Current ratio	0.57:1	0.64:1
Debt-to-equity ratio	0.67:1	0.64:1

There were no gross profit margin and rate of return on sales during the third quarters of 2018 and 2017 since there were no sales revenues.

The decrease in current ratio as of September 30, 2018 to P0.57 from P0.64 in December 2017 was due to the decrease in cash and cash equivalents.

The ratio of debt to equity as of September 30, 2018 slightly went up to P0.67 from last year's ratio of P0.64.

3. Financial Soundness Indicators

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

	Sept 2018	Sep 2017
Asset to Equity ratio	1.70	1.64
Times-Interest Rate Coverage ratio	0	(262.09)
Book Value per Share	70.83	71.00

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 third quarter of 2018.

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

RANDOLPH M. AGUIRRE
Group Controller/Principal Accounting Officer

Date Nov. 8, 2018

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

	September 2018 (Unaudited)	December 2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**10,647,522**	209,818,532
Short -term investments	**27,195,676**	30,265,693
Receivables - net (Note 4)	**6,396,226**	7,909,453
Due from related parties (Note 6)	**24,649,235**	24,622,998
Other current assets (Note 5)	**2,441,240**	1,373,189
Total Current Assets	**71,329,899**	273,989,865
Noncurrent Assets		
Property, plant and equipment		
At revalued amounts	**1,013,704,481**	1,013,704,481
At cost - net	**2,403,175**	2,803,717
Investment properties	**121,567,609**	121,567,609
Retirement plan asset	**1,366,324**	1,292,519
Other noncurrent assets	**26,526,658**	29,726,477
Total Noncurrent Assets	**1,165,568,247**	1,169,094,803
TOTAL ASSETS	**1,236,898,146**	1,443,084,668
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**96,666,822**	99,024,035
Dividends payable	**64,722**	176,812,783
Provisions	**78,735,107**	78,735,107
Due to related parties (Note 6)	**1,087,007**	1,184,452
Total Current Liabilities	**176,553,658**	355,756,377
Noncurrent Liabilities		
Deferred income tax liability - net	**252,143,412**	252,143,412
Total Noncurrent Liabilities	**252,143,412**	252,143,412
Total Liabilities	**428,697,070**	607,899,789
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	**17,970,989**	17,970,989
Revaluation increment on land, net of related deferred income tax	**559,926,191**	559,926,191
Equity reserves	**15,571,694**	15,571,694
Remeasurement loss on retirement benefits - net	**(7,614,606)**	(7,614,607)
Retained earnings	**23,855,655**	46,976,387
	729,298,046	752,418,777
Less cost of 87 shares held in treasury	**870**	870
	729,297,176	752,417,907
Noncontrolling interests	**78,903,900**	82,766,972
Total Equity	**808,201,076**	835,184,879
TOTAL LIABILITIES AND EQUITY	**1,236,898,146**	1,443,084,668

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

	2018 July to September	2018 January to September	2017 July to September	2017 January to September
REVENUE				
Net sales	**-**	**-**	-	-
Rental	**2,001,015**	**5,569,674**	1,899,183	5,686,762
	2,001,015	**5,569,674**	1,899,183	5,686,762
COST OF SALES AND SERVICES	**-**	**-**	-	-
GROSS PROFIT (LOSS)	**2,001,015**	**5,569,674**	1,899,183	5,686,762
OTHER INCOME (EXPENSES)				
Operating expenses (Note7)	**(7,835,325)**	**(32,780,003)**	(5,781,595)	(20,459,982)
Interest - net	**20,253**	**86,145**	14,821	16,442
Others - net	**2,775**	**140,381**	(2,035)	30,870
	(7,812,297)	**(32,553,477)**	(5,768,809)	(20,412,670)
LOSS BEFORE INCOME TAX	**(5,811,282)**	**(26,983,803)**	(3,869,626)	(14,725,908)
PROVISION FOR INCOME TAX				
Current	**-**	**-**	-	-
NET LOSS	**(5,811,282)**	**(26,983,803)**	(3,869,626)	(14,725,908)
OTHER COMPREHENSIVE INCOME (LOSS)	**-**	-	-	-
TOTAL COMPREHENSIVE LOSS	**(5,811,282)**	**(26,983,803)**	(3,869,626)	(14,725,908)
Net loss attributable to:				
Equity holdings of the Parent Company	**(5,144,434)**	**(23,120,732)**	(3,358,161)	(12,278,556)
Noncontrolling interests	**(666,848)**	**(3,863,071)**	(511,465)	(2,447,352)
	(5,811,282)	**(26,983,803)**	(3,869,626)	(14,725,908)
Total comprehensive loss attributable to:				
Equity holdings of the Parent Company	**(5,144,434)**	**(23,120,732)**	(3,358,161)	(12,278,556)
Noncontrolling interests	**(666,848)**	**(3,863,071)**	(511,465)	(2,447,352)
	(5,811,282)	**(26,983,803)**	(3,869,626)	(14,725,908)
Basic/diluted, for net income attributable to equity holdings of the parent	**(0.500)**	**(2.245)**	(0.326)	(1.192)
weighted average number of shares of 10,296,601, net of 87 treasury shares				

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

As of September 30, 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 Retirement Benefit , net	Retained Earnings		Treasury stock	Total	Noncontroliing interests	Total
							Appropriated	Unapproriated				
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)								(23,120,732)		**(23,120,732)**	**(3,863,071)**	**(26,983,803)**
Other comprehensive income				**-**						**-**		**-**
Balances at September 30, 2018	**102,966,880**	**16,621,243**	**559,926,191**	**17,970,989**	**15,571,694**	**(7,614,607)**	**870**	**23,854,785**	**(870)**	**729,297,175**	**78,903,900**	**808,201,076**

As of September 30, 2017

	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	Noncontroliing interests	Total
							Appropriated	Unapproriated				
Balances at January 1, 2017	**102,966,880**	**16,621,243**	**491,733,931**	**14,575,814**	**18,782,113**	**(8,203,290)**	**870**	**106,901,804**	**(870)**	**743,378,495**	**152,358,717**	**895,737,212**
Net Income (loss)								**(12,278,556)**		**(12,278,556)**	**(2,447,352)**	**(14,725,908)**
Other comprehensive income			-	-		-				-	-	-
Balances at September 30, 2017	**102,966,880**	**16,621,243**	**491,733,931**	**14,575,814**	**18,782,113**	**(8,203,290)**	**870**	**94,623,248**	**(870)**	**731,099,939**	**149,911,365**	**881,011,304**

CHEMICAL INDUSTRIES OF THE PHILIPPINES, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (unaudited)

	2018 July to September	2018 January to September	2017 July to September	2017 January to September
Cash flows from operating activities				
Income (loss) before income tax	**(5,811,282)**	**(26,983,803)**	(3,869,626)	(14,725,908)
Adjustments for:				
Depreciation	**146,281**	**431,022**	142,383	401,795
Interest expense	**-**	**-**	-	1,445,347
Interest income	**(20,253)**	**(86,145)**	(14,821)	(1,461,790)
Operating income before working capital changes	**(5,685,254)**	**(26,638,926)**	(3,742,064)	(14,340,556)
Decrease (increase) in :				
Receivables	**2,229,909**	**1,513,227**	(591,201)	637,150
Due from related parties	**247,098**	**(26,237)**	201,825	(2,129,115)
Other current assets	**311,392**	**(1,068,051)**	1,000,361	(520,695)
Other noncurrent assets	**3,146,295**	**3,126,014**		
Increase (decrease) in :				
Accounts payable and accrued expenses	**(2,341,988)**	**(2,357,213)**	(1,125,285)	(2,360,254)
Due to affiliates	**(27,796)**	**(97,445)**	497,154	212,757
Accrued retirement benefits payable	**(122,198)**	**-**	(2,269,886)	(2,319,090)
Cash from operations	**(2,242,542)**	**(25,548,631)**	(6,029,096)	(20,819,803)
Dividends paid	**134**	**(176,748,061)**		
Interest received	**20,253**	**86,145**	14,821	16,442
Net cash flows from operating activities	**(2,222,155)**	**(202,210,547)**	(6,014,275)	(20,803,361)
Cash flows from investing activities				
Proceeds from (investments in) short-term investments	**(1,929,983)**	**3,070,017**	-	-
Addition to property, plant and equipment	**(30,480)**	**(30,480)**	-	-
Decrease(increase) in other noncurrent assets	**-**	**-**	363,960	363,340
Net cash provided by (used in) investing activities	**(1,960,463)**	**3,039,537**	363,960	363,340
Cash flows from financing activities				
Proceeds from (payment) of :				
Bank loans/notes payable	**-**	**-**	-	-
Net cash provided by (used in) financing activities	**-**	**-**	-	-
Net increase(decrease) in cash and cash equivalents	**(4,182,618)**	**(199,171,010)**	(5,650,315)	(20,440,021)
Cash and cash equivalents at beginning of the quarter	**14,830,140**	**209,818,532**	54,491,158	69,280,864
Cash and cash equivalents at end of quarter	**10,647,522**	**10,647,522**	48,840,843	48,840,843

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 unaudited interim consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets 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 unaudited interim 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, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

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

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

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, 2018
- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*
- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
- Amendments to PAS 28, *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*

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 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

Basis of Consolidation

The unaudited interim consolidated financial statements include the accounts of the Parent Company and its subsidiaries as of September 30 of each year. 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:

			Percentage of Ownership	
Name of Subsidiary	Place of Incorporation	Principal Activity	2018	2017
CAWC	Philippines	Manufacturing*	99.67%	99.67%
CMC	Philippines	Manufacturing*	73.93%	73.93%
KPC	Philippines	Manufacturing*	73.97%	73.97%

**Ceased operation as of 2018 and 2017*

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.

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.

Current versus Non-current Classification
The Company presents assets and liabilities in 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 Company classifies all other liabilities as non-current.

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

Financial Instruments
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 September 30, 2018 and December 31, 2017, 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 and other debt instruments and 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, unquoted securities and debt 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 September 30, 2018 and December 31, 2017, 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*
   If an AFS financial asset is impaired, the amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in the consolidated statement of comprehensive income, is transferred from equity to profit or

loss. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss.

'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.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the 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.

<u>Derecognition of Financial Instruments</u>
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.

<u>Prepaid Income Taxes</u>

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 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:

	Number of Years
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. Transfer of property is at fair value with changes taken to equity similar to revaluation increment. The change in the fair value shall be reclassified to retained earnings upon disposal of the property.

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.

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.

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.

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

a. 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.
b. Rental income under operating lease agreements is recognized on a straight-line basis over the term of the lease.
c. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

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. Interest on the defined benefit liability is recognized as "Interest cost on retirement benefits obligation" in the statement of comprehensive income.

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 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 assets and liabilities are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax liabilities are not provided on taxable temporary differences associated with investments in subsidiaries and affiliates. With respect to investment in other 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 tax asset 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 remeasured 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's asset-producing revenues are located 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 Company'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 financial statements is that the Group has neither the intention nor the need to liquidate and will continue to evaluate its options.

As at September 30, 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 doubtful accounts
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.

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, 2017.

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 September 30, 2018 and December 31, 2017, 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. When management believes that the eventual liabilities under these and any other claims, if any, will not have a material effect on the financial statements, no provision for probable losses is recognized in the Group's financial statements. The amount of provision is being reassessed at least on an annual basis to consider new relevant information.

3. Cash and Cash Equivalents

This account consists of:

	Sept. 2018	Dec. 2017
Cash on hand and in banks	**₱10,647,522**	₱209,818,532
Short-term investments	**27,195,676**	30,265,693
	₱37,843,198	₱240,084,225

4. Receivables

This account consists of:

	Sept. 2018	Dec. 2017
Trade	**₱5,489,747**	₱4,688,026
Others	**49,012,390**	51,327,338
	54,502,137	56,015,364
Less allowance for doubtful accounts	**(48,105,911)**	(48,105,911)
	₱6,396,226	₱7,909,453

5. Other Current Assets

This account consists of:

	Sept. 2018	Dec. 2017
Spare parts and factory supplies	**₱6,764,974**	₱6,764,974
Prepaid tax	**7,678,567**	7,729,610

Input VAT	**8,837,498**	8,444,510
Prepaid expenses	**539,772**	34,175
Others	**711,689**	491,180
	24,532,500	23,464,449
Less: allowance for probable losses	**(15,326,286)**	(15,326,286)
allowance for inventory loss	**(6,764,974)**	(6,764,974)
	₱2,441,240	₱1,373,189

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					
Petrochemicals Corporation of Asia-Pacific (Petrocorp)					
Interest income	**2018**	**–**	**P1,026,861**	Noninterest-bearing; due and demandable	Unsecured, with allowance for doubtful account of P1,026,861
	2017	**–**	1,026,861		
Others	**2018**	–	**7,485,778**	Noninterest-bearing; due and demandable	Unsecured, with allowance for doubtful account of P7,485,778
	2017	–	7,485,778		
Directors and Stockholders					
Advances against future dividends	**2018**		**24,558,266**	-do-	Unsecured
	2017		24,558,266	-do-	
VIBI					
Rent income	**2018**	**37,800**	**–**		
	2017	75,600	**–**		
Other Affiliates					
Others	**2018**	–	**96,429**	Noninterest-bearing/ due and demandable	Unsecured, with allowance for doubtful account of P5,460
	2017	–	70,192		
Subtotal	**2018**		**33,167,334**		
Less allowance for doubtful accounts			**(8,518,099)**		
Net			**P24,649,235**		
Subtotal	2017		33,141,097		
Less allowance for doubtful accounts			(8,518,099)		
Net			P 24,622,998		

Due to related parties

VIBI					
Premium payable	**2018**	**-**	**-**	Noninterest-bearing	Unsecured
	2017	-	165	-do-	-do-
Advances	**2018**	**-**	**607,019**	-do-	-do-
	2017	-	607,019	-do-	-do-
Reimbursable expenses	**2018**	**-**	**380,739**	-do-	-do-
	2017	-	478,019	-do-	-do-
Other Affiliates					
Others	**2018**	**-**	**99,249**	Noninterest-bearing	Unsecured
	2017	-	99,249	-do-	-do-
Total	**2018**		**P 1,087,007**		
Total	2017		P 1,184,452		

7. Operating Expenses

This account consists of:

	Jul–Sept 2018	Jul-Sept 2017
Outside services	**₱1,142,184**	₱2,011,997
Taxes and licenses	**1,269,485**	2,066,885
Communication, light and water	**588,319**	518,220
Transportation and travel	**92,755**	481,801
Salaries and other compensation	**2,070,253**	336,848
Depreciation and amortization	**146,281**	142,383
Others	**2,526,048**	223,461
	₱7,835,325	₱5,781,595

8. Financial Risk Management Objectives and Policies

The Group's principal financial instruments as of September 30, 2018 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 September 30, 2018, 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 September 30, 2018.

Cash and cash equivalents	₱37,843,198
Receivables	6,396,226
Other current assets	2,441,240
Other non-current assets	
Cash in bank restricted for use in operations	909,025
Refundable deposits	574,865
	₱48,164,554

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.

September 30, 2018

	Neither past due nor impaired				
	High grade	Standard Grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents	P 37,843,198	-	-	-	P 37,843,198
Trade receivables	20,701	P1,514,864	P 1,852,950	2,101,232	5,489,747
Other receivables	-	-	3,007,711	P 46,004,679	49,012,390
Other current assets		-	2,441,240	22,091,260	24,532,500
Cash in bank restricted for use in operations	909,025	-	-	-	909,025
Refundable deposits	574,865	-	-	-	574,865
Total	P 39,347,789	P1,514,864	P 7,301,901	P 70,197,171	P 118,361,725

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 September 30, 2018, the Group's financial liabilities are as follows:

Accounts payable and accrued expenses	₱96,666,822
Due to related parties	1,087,007
	₱97,753,829

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 September 30, 2018.

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 SEPTEMBER 30, 2018

CUSTOMER NAME	AMOUNT	CURRENT	01-30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	120-180 DAYS	OVER 180 DAYS
ALL UP MEDIA	224,333.13		33,252.88	1,856.90				189,223.35
ATELIER SACHA COTTURE	6,505.06		6,505.06					
ACUMU CONSULTANT, INC.	11,729.84		4,551.09			6,286.49		892.26
BONAFIDE ENERGEIA PHILS.	630.85							630.85
COMMUNIGATE	109,894.94		55,705.53					54,189.41
CHEMPHIL EMPLOYEES LIVELIHOOD FOUNDATION	611,917.85		6,250.00	6,250.00	6,250.00	6,250.00	6,250.00	580,667.85
CROSSOVER TECHNOLOGY INC.	116,688.61		35,497.05	36,376.07	36,664.85	8,150.64		
DIGITEL COMMUNICATION	185,115.17						85,692.41	99,422.76
DRA. GALANG	109,754.16		25,847.27	21,900.00	21,900.00	21,900.00		18,206.89
ÉMIGRE BUSINESS	571,133.08							571,133.08
GREAT WOMEN	20,700.62		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	684,819.44		65,730.85	68,513.17	65,405.62	63,831.30	64,136.83	357,201.67
INES CELESTINA CLOTHING	7,596.34			2,624.02	4,972.32			
KETMAR FASTFOOD	4,903.01		2,650.68					2,252.33
LOGINSAVE, INC.	169,913.17							169,913.17
MICRO PACIFIC TECHNOLOGIES & SYSTEMS CORP.	144,784.23		117,221.53	3,796.32	11,181.44	3,817.34	3,403.16	5,364.44
MR CUSTOMER DELIGHT	754.64		662.67					91.97
ORDOFOODS ENTERPRISES	1,597.72		1,270.19					327.53
ORDOPRIME VENTURES	783.03		662.67					120.36
PERFUMERIA ESPANOLA CORP.	56,097.67		5,947.61					50,150.06
PILIPINAS DEVELOPMENT CORP.	129,354.41							129,354.41
RSMTCE & ASSOCIATES	71,714.12		9,427.90	9,222.14	9,262.55	9,783.37	9,523.87	24,494.29
RANDY MANGIAM	245.54							245.54
SINAG ENERGY PHILS.	295,875.00		89,756.75	89,756.75	89,756.75			26,604.75
STA. ISABELLE CORP.	21,896.01		21,895.28					0.73
SAGUARO INTERNATIONAL INC.	157,801.69			29,079.58	40,134.48		1,817.54	86,770.09
SMART COMMUNICATIONS, INC.	424,438.13		111,292.59	103,199.14	89,977.03	119,969.37		
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
WECHEM 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	**5,489,745.84**	**0.00**	**621,078.22**	**378,824.09**	**381,755.04**	**246,238.51**	**177,073.81**	**3,684,776.17**