

COVER SHEET

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S.E.C. Registration Number

C R O W N A S I A C H E M I C A L S
 C O R P O R A T I O N
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(Company's Full Name)

K M 3 3 M C A R T H U R H I G H W A Y
 B O T U K T U K A N G U I G U I N T O B U L A C A N
 .
 .

TITA P. VILLANUEVA

Contact Person

4 1 3 8 0 3 2

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

SEC FORM 17-Q SEPTEMBER 30, 2018

FORM TYPE

0 5 1 7

Month Day

Annual Meeting

 Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2 6

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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. SEC Identification number **159950**
3. BIR Tax Identification No **000-240-902-000**
4. Exact name of issuer as specified in its charter **CROWN ASIA CHEMICALS
CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization **Metro Manila**
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office **Km 33 Mc Arthur Highway Tuktukan Guiguinto,
Bulacan**
- Postal Code **3015**
8. Issuer's telephone number, including area code **(2) 412-06-39 to 41
(44) 794-02-68 to 70**
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

630,800,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [/] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

The Philippine Stock Exchange Inc.

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 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [/] No []

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

Yes [/] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Interim Financial Statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference.

Exhibit 1 – Statements of Financial Position as of September 30, 2018 and December 31, 2017

Exhibit 2 - Statements of Comprehensive Income for the periods ended September 30, 2018 and September 30, 2017

Exhibit 3 – Statements of Changes in Equity as of September 30, 2018 and September 30, 2017

Exhibit 4 – Statements of Cash Flow as of September 30, 2018 and September 30, 2017

Exhibit 5 - Notes to Interim Financial Information

Item 2 – Management's Discussion and Analysis of Results of Operations and Financial Position

Please refer to Exhibit 6 hereof.

Item 3 – Aging of Accounts Receivable

Please refer to Exhibit 7 hereof.

Item 4 - Key Performance Indicators

Please refer to Exhibit 8 hereof.

EXHIBIT 1

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(Amounts in Philippine Pesos)

	UNAUDITED SEPTEMBER 30, 2018	AUDITED DECEMBER 31, 2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	79,014,793	90,965,672
Trade and other receivables - net	281,146,030	241,709,533
Inventories	436,831,841	369,554,632
Prepayments and other current assets - net	105,066,935	88,407,110
Total Current Assets	902,059,598	790,636,947
NON-CURRENT ASSETS		
Property, plant and equipment - net	403,002,140	397,105,968
Other non-current assets - net	12,903,833	14,777,988
Total Non-Current Assets	415,905,974	411,883,956
TOTAL ASSETS	1,317,965,572	1,202,520,903
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES		
Trade and other payables	197,483,843	142,310,268
Income tax payable	13,298,237	6,003,525
Total Current Liabilities	210,782,080	148,313,793
NON-CURRENT LIABILITIES		
Mortgage Payable	5,642,050	2,480,709
Deferred tax liabilities - net	21,660,319	21,660,319
Post-employment defined benefit obligation	11,523,727	9,267,876
Advances from stockholders	46,057	46,057
Total Non-current Liabilities	38,872,152	33,454,961
Total Liabilities	249,654,232	181,768,754
EQUITY		
Capital stock	630,800,000	630,800,000
Additional Paid In capital	52,309,224	52,309,224
Revaluation reserves	61,137,840	61,137,840
Retained earnings	324,064,276	276,505,085
Total Equity	1,068,311,340	1,020,752,149
TOTAL LIABILITIES AND EQUITY	1,317,965,572	1,202,520,903

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE (9) MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017
(Amounts in Philippine Pesos)

	<i>FOR THE PERIOD</i>		<i>FOR THE QUARTER</i>	
	UNAUDITED SEPTEMBER 2018	UNAUDITED SEPTEMBER 2017	2018	2017
REVENUES	912,792,489	969,392,683	304,257,732	326,402,797
COST OF GOODS SOLD	651,526,869	698,389,286	216,475,028	231,624,002
GROSS PROFIT	261,265,620	271,003,397	87,782,703	94,778,795
OTHER OPERATING EXPENSES	120,663,671	127,395,779	40,528,906	50,550,244
OTHER INCOME (CHARGES)				
Finance costs	(466,145)	(684,226)	(224,168)	(135,937)
Finance income	372,439	335,612	297,691	38,722
Foreign currency gains (losses) - net	5,898,448	1,674,726	1,460,283	1,421,948
Other income	745,544	51,433	587,999	(18,003)
	6,550,286	1,377,545	2,121,806	1,306,731
PROFIT BEFORE TAX	147,152,236	144,985,163	49,375,603	45,535,282
TAX EXPENSE	42,821,045	43,533,565	14,574,611	13,670,077
NET PROFIT	104,331,191	101,451,598	34,800,992	31,865,205
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Revaluation of land				
Remeasurements of post-employment defined benefit plan				
Tax income (expense)				
TOTAL COMPREHENSIVE INCOME	104,331,191	101,451,598	34,800,992	31,865,205
BASIC AND DILUTED EARNINGS PER SI	0.17	0.16	0.06	0.05

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE (9) MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017
(Amounts in Philippine Pesos)

	UNAUDITED 2018	UNAUDITED 2017
CAPITAL STOCK		
Balance at beginning of year	630,800,000	630,800,000
Issuance of shares during the year	-	-
Balance at end of year	<u>630,800,000</u>	<u>630,800,000</u>
ADDITIONAL PAID IN CAPITAL		
Balance at beginning of year	52,309,224	52,309,224
Balance at end of year	<u>52,309,224</u>	<u>52,309,224</u>
REVALUATION RESERVES		
Balance at beginning of year		
As previously reported	61,137,840	33,158,047
Effect of revaluation of land - net of tax	-	-
As restated	<u>61,137,840</u>	<u>33,158,047</u>
Revaluation of land during the year - net of tax		
Remeasurement of post-employment defined benefit - net of tax	<u>-</u>	<u>-</u>
Balance at end of year	<u>61,137,840</u>	<u>33,158,047</u>
RETAINED EARNINGS		
Appropriated		
Balance at beginning of year		
Reversal of appropriation		
Appropriation during the year	<u>-</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>-</u>
Unappropriated		
Balance at beginning of year	276,505,085	216,178,504
Net profit for the year	104,331,191	101,451,598
Reversal of appropriation made		
Appropriation during the year		
Stock dividend		
Cash dividend	<u>(56,772,000)</u>	<u>(56,772,000)</u>
Balance at end of year	<u>324,064,276</u>	<u>260,858,102</u>
Total Retained Earnings	<u>324,064,276</u>	<u>260,858,102</u>
TOTAL EQUITY	<u>P 1,068,311,340</u>	<u>P 977,125,372</u>

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
STATEMENTS OF CASH FLOWS
FOR THE NINE (9) MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017
(Amounts in Philippine Pesos)

	UNAUDITED 2018	UNAUDITED 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	147,152,236	144,985,163
Adjustments for:		
Depreciation and amortization	22,962,587	22,811,115
Unrealized Foreign currency (gains) loss - net	(4,620,969)	(983,325)
Interest expense	466,145	671,720
Impairment Loss on Trade Receivables	-	12,506
Finance income	(372,439)	(335,612)
Gain on sale of property and equipment	(733,000)	-
Operating profit before working capital changes	164,854,560	167,161,567
(Increase)decrease in trade and other receivables	(36,093,000)	(30,796,362)
(Increase)decrease in inventories	(67,277,209)	(9,191,021)
(Increase) decrease in prepayments and other current assets	(16,659,825)	(5,759,022)
(Increase) decrease in other non-current assets	1,874,154	(923,353)
Increase (decrease) in trade and other payables	55,173,575	2,563,331
Increase (decrease) in post-employment defined benefit obligation	2,255,851	2,225,450
Cash generated from (used in) operations	104,128,105	125,280,590
Realized Foreign currency gains (loss) - net	1,277,479	-
Income tax	(35,526,333)	(37,678,581)
Net Cash From (Used In) Operating Activities	<u>69,879,251</u>	<u>87,602,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(28,858,759)	(47,006,534)
Proceeds from disposal of property, plant and equipment	733,000	-
Interest received	372,439	335,612
Net Cash Used in Investing Activities	<u>(27,753,320)</u>	<u>(46,670,922)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances/Payments from stockholders	-	-
Dividends paid	(56,772,000)	(56,772,000)
Interest paid	(466,145.0)	(671,720)
Proceeds/Payment from/Proceeds/Payment of borrowings	3,161,340	448,937
Repayments of advances from stockholders	-	-
Net Cash From (Used in) Financing Activities	<u>(54,076,805)</u>	<u>(56,994,783)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,950,874)	(16,063,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>90,965,672</u>	<u>105,402,426</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>P 79,014,793</u>	<u>P 89,338,728</u>

See Notes to Financial Statements.

CROWN ASIA CHEMICALS CORPORATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017 (UNAUDITED)
(With Comparative Figures for December 31, 2017)
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Crown Asia Chemicals Corporation (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 10, 1989 primarily to engage in, operate, conduct and maintain the business of manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale and retail such goods as plastic and/or synthetic resins and compounds and other allied or related products of similar nature.

The Company's Board of Directors (BOD) approved the change in name of the Company from Crown Asia Compounders Corporation to Crown Asia Chemicals Corporation on March 4, 2014. The SEC approved the change in name of the Company and the corresponding amendment in the Company's Articles of Incorporation on September 29, 2014. The change in name of the Company was registered with the Bureau of Internal Revenue (BIR) on October 24, 2014.

On September 5, 2014, the BOD and the stockholders approved the Company's application for the registration of 630.8 million of its common shares with the SEC and apply for the listing thereof in the Philippine Stock Exchange (PSE). The BOD's approval covered the planned initial public offering of 158.0 million unissued common shares of the Company. The Company's shares were listed in the PSE on April 27, 2015.

The Company's registered office, which is also its principal place of business, is located at Km. 33, McArthur Highway, Bo. Tuktukan, Guiguinto, Bulacan. The Company's administrative office is located at Units 506 and 508 President's Tower, No. 81 Timog Ave., South Triangle, Quezon City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board, and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separate from the statement of profit or loss.

The Company presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of New and Amended PFRS

(a) *Effective in 2017 that are Relevant to the Company*

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

Discussed below are the relevant information about these amendments.

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which only includes cash changes, are presented in Note 11.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment has no impact on the Company's financial statements.

(b) *Effective in 2017 that are not Relevant to the Company*

The following annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Company's financial statements:

Annual Improvements to PFRS (2014-2016 Cycle)	
PFRS 12	: Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale

(c) (c) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Company's financial statements:

- (i) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected credit loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income (FVTOCI) if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment of the Company's financial assets and financial liabilities as at September 30, 2018, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Company's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of trade and other receivables will continue to be accounted for at amortized cost.
 - For trade receivables, the Company will apply a simplified model of recognizing lifetime ECL as these items do not have a significant financing component.
- (iii) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers*

of *Assets from Customers* and Standard Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Based on an assessment of the Company's revenue streams as at September 30, 2018, which has been limited to the facts and circumstances existing at that date, management determined that its significant sources of revenues pertain to the sale of plastic or synthetic resins and compounds and other allied or related products of similar nature. The products can be sold and used separately. Revenue from the sale of the Company's products shall be recognized once control has been transferred to the customer, that is, when the risks and rewards of ownership of the goods have passed to the buyer.

Management has assessed that this standard has no material impact on the Company's financial statements.

- (iv) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Management has initially assessed that this amendment has no material impact on the Company's financial statements.

- (v) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI.

Management has initially assessed that this amendment has no material impact on the Company's financial statements.

- (vi) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to PAS 17’s. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17’s. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

- (vii) IFRIC 23, *Uncertainty over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

Management is currently assessing the impact of this new standard in its financial statements.

- (viii) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Company but had no material impact on the Company’s financial statements as these amendments merely clarify existing requirements:

- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's strategic steering committee, its chief operating decision-maker. The strategic steering committee is responsible for allocating resources and assessing performance of the operating segments.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.4 Financial Assets

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

The only financial asset category that is relevant to the Company is 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 arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The Company's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances and Other receivables) and Security deposits (presented under Other Non-current Assets account) in the statement of financial position. Cash and cash equivalents include cash on hand,

demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is an objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined 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 or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

Non-compounding interest and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

The financial assets (or where applicable, a part of a financial asset or part of group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method. Finished goods include the cost of raw materials, direct labor and a proportion of manufacturing overhead based on actual units produced. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Net realizable value of raw materials is the current replacement cost.

2.6 Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when

it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

2.7 Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Following initial recognition at cost, land is carried at revalued amount which is the fair value at the date of the revaluation as determined by independent appraisers. Revalued amount is the fair market value determined based on appraisal by external professional valuer once every two years or more frequently if market factors indicate a material change in fair value.

Any revaluation surplus is recognized in other comprehensive income and credited to the Revaluation Reserves account in the statement of changes in equity. Any revaluation deficit directly offsetting a previous surplus in the same asset is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and the remaining deficit, if any, is recognized in profit or loss. Upon disposal of revalued assets, amounts included in Revaluation Reserves relating to the assets are transferred to Retained Earnings, net of tax.

Depreciation and amortization are computed on the straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	5 years
Building and improvements	3-10 years
Transportation equipment	3-5 years
Machineries, factory, and other equipment	3-15 years
Furniture, fixtures and office equipment	3-5 years

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Notes 2.17 and 9) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

The asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.15).

Fully depreciated and amortized assets are retained in the account until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

The residual values, estimated useful lives and method of depreciation and amortization of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Intangible Assets

Intangible assets include registered trademarks which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives over ten years as the lives of these intangible assets are considered finite. Intangible assets are subject to impairment testing as described in Note 2.15. The carrying amounts of the intangible assets are presented as Trademarks under Other Non-current Assets account in the statement of financial position (see Note 10).

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds received and the carrying amount of the asset and is recognized in profit or loss.

2.9 Financial Liabilities

Financial liabilities, which include Trade and Other Payables (including Mortgage payable but except Advances from customers and tax-related payables) and Advances from Stockholders, are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Finance Costs in the statement of profit or loss.

Trade and other payables and advances from stockholders are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for those with maturities beyond one year, less settlement payments.

Dividend distributions to stockholders are recognized as financial liabilities upon declaration by the Company's BOD.

Interest-bearing loans, if any, normally arise from the funding of certain construction projects and working capital loans raised for support of short-term funding of operations. Finance costs are charged to profit or loss on an accrual basis (except for capitalizable borrowing costs which are added as part of the cost of qualifying asset) using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.10 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entities and all counterparties to the financial instruments.

2.11 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.12 Revenue and Expense Recognition

Revenue comprises revenue from sale of goods measured by reference to the fair value of consideration received or receivable by the Company for goods sold, excluding value-added tax (VAT), rebates and trade discounts.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the Company; and, the costs incurred

or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) *Sale of goods* – Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged delivery of goods.
- (b) *Finance income* – This is recognized as the interest accrues taking into account the effective yield on the asset.

Costs and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.17).

2.13 Leases – Company as Lessee

Leases which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Company determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.14 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.15 Impairment of Non-financial Assets

The Company's property, plant and equipment, intangible assets and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit

and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.16 Employee Benefits

The Company provides post-employment benefits to employees through defined benefit plan and other employee benefits which are recognized and measured as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is partially funded, tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of zero coupon government bonds, as published by the Philippine Dealing & Exchange Corp., that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest), are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs or Finance Income in the statement of profit or loss.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

2.17 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.18 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the

year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For purposes of measuring deferred tax liabilities for land that is measured using the fair value model (see Note 2.7), the land's carrying amount is presumed to be recovered entirely through sale as an ordinary asset.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax effect is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxation authority.

2.19 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.20 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

Revaluation reserves account pertains to remeasurements of post-employment defined benefit plan. It also includes the fair value gains and losses due to the revaluation of land (see Note 2.7).

Retained earnings, the appropriated portion of which, if any, is not available for dividend distribution, represent all current and prior period results of operations as reported in the statement of profit or loss, reduced by the amounts of dividends declared.

2.21 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares.

2.22 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgment in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Determination of Cost of Inventories

In inventory costing, management uses estimates and judgment in properly allocating the labor and overhead between the cost of inventories on hand and cost

of goods sold. Currently, the Company allocates manufacturing overhead on the basis of actual units produced. However, the amount of costs charged to finished goods inventories would differ if the Company utilized a different allocation base. Changes in allocated cost would affect the carrying cost of inventories and could potentially affect the valuation based on lower of cost and net realizable value.

(b) *Distinction between Operating and Finance Leases*

The Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Management has assessed that the Company's lease arrangements are operating leases.

(c) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.11 and disclosures on relevant provisions and contingencies are presented in Note 19.

3.2 *Key Sources of Estimation Uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Impairment of Trade and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Company's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(b) *Determination of Net Realizable Value of Inventories*

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. Even though the Company's core business is not continuously subject to rapid technology changes which may cause inventory obsolescence, future realization of the carrying amounts of inventories as presented in Note 7 is still affected by price changes. Such aspect is considered a key source of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial

reporting period.

(c) *Estimation of Useful Lives of Property, Plant and Equipment and Intangible Assets*

The Company estimates the useful lives of property, plant and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property, plant and equipment and intangible assets (Trademarks under Other Non-current Assets account) are presented in Notes 9 and 10, respectively. Based on management's assessment as at September 30, 2018 and December 31, 2017, there is no change in estimated useful lives of property, plant and equipment and intangible assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(d) *Measurement of Fair Value of Land*

The Company's land is carried at revalued amount at the end of the reporting period. In determining its fair value, the Company engages the services of professional and independent appraisers applying the relevant valuation methodology (see Note 22.3).

When the appraisal is conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

A significant change in these elements may affect prices and the value of the assets. The amount of revaluation increment recognized is disclosed in Note 9.

(e) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at September 30, 2018 and December 31, 2017 will be fully utilized in the coming years. The carrying value of deferred tax assets netted against deferred tax liabilities as of those dates is disclosed in Note 15.

(f) *Impairment of Non-financial Assets*

The Company's policy on estimating the impairment of property, plant and equipment, intangible assets and other non-financial assets is discussed in Note 2.15. Though management believes that the assumptions used in the estimation of fair values are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There was no impairment loss recognized on non-financial assets as at September 30, 2018, and December 31, 2017.

Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary rate increase. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment defined benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 14.2.

4. SEGMENT REPORTING

4.1 Business Segments

The Company is organized into business units based on its products for purposes of management assessment of each unit. For management purposes, the Company is organized into three major business segments, namely: compounds, pipes and roofing. These are also the basis of the Company in reporting to its chief operating decision-maker for its strategic decision-making activities.

The products under the compounds segment are the following:

- Polyvinyl Chloride (PVC) compounds for wires and cable; and,
- PVC for bottles, integrated circuit tubes packaging and films.

The products under the pipes segment are the following:

- PVC pipes and fittings;
- Polypropylene Random Copolymer Type 3 pipes and fittings; and,
- High-density Polyethylene pipes and fittings.

The product under the roofing segment is only the unplasticized PVC roofing materials, which started to be sold to the public in 2018.

The Company's products are located in Guiguinto, Bulacan, Valenzuela City and in its Davao branch.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of trade and other receivables and inventories, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables and interest-bearing loans. Segment assets and liabilities do not include deferred taxes and tax liabilities.

4.3 Intersegment Transactions

Segment revenues, expenses and performance do not include sales and purchases between business segments.

Currently, the Company's operation is concentrated within the Philippines for local sales and indirect export sales; hence, it has no geographical segment.

5. EARNINGS PER SHARE

Basic EPS is computed as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net profit	P 117,098,581	P 114,568,107	P 100,146,977
Divided by weighted average number of outstanding common shares	<u>630,800,000</u>	<u>630,800,000</u>	<u>578,133,333</u>
Basic and diluted earnings per share	<u>P 0.19</u>	<u>P 0.18</u>	<u>P 0.17</u>

The Company does not have dilutive potential common shares outstanding as of December 31, 2017, 2016 and 2015; hence, diluted EPS is equal to the basic EPS.

6. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

6.1 *Operating Lease Commitments – Company as Lessee*

The Company is a lessee under non-cancellable operating leases covering its warehouse and office spaces. The lease for warehouse has a term of three years and includes annual escalation rate of 10.00%, while the leases for office space have terms of three to five years with escalation rates ranging from 5.00% to 10.00%. All leases have renewal options.

6.2 *Others*

There are other commitments and contingent liabilities that arise in the normal course of the Company's operations which are not reflected in the financial statements. As of September 30, 2018 and December 31, 2017, management and its legal counsel are of the opinion that losses, if any, from these items will not have a material effect on the Company's financial statements.

7. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated by its BOD, and focuses on actively securing the Company's closely short-to-medium term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

7.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas sales and purchases, which are primarily denominated in U.S. dollars. The Company also holds U.S. dollar-denominated cash and cash equivalents.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Exposures to foreign exchange rates vary during the period depending on the volume of foreign currency denominated transactions.

(b) Interest Rate Risk

The Company's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowings are therefore usually made at fixed rates. At September 30, 2018 and December 31, 2017, the Company is exposed to changes in market interest rates through its cash and cash equivalents, which are subject to variable interest rates

7.2 Credit Risk

Credit risk is the risk that counterparty may fail to discharge an obligation to the Company. The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

None of the financial assets are secured by collateral or other credit enhancements except for cash and cash equivalents and certain trade receivables with entrusted and on hand post-dated checks issued by the customers. Bank deposits are only maintained with reputable financial institutions, as a matter of Company policy. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million per depositor per banking institution.

The credit risk with respect to trade and other receivable is not concentrated to any single counterparty as these are due from various customers located in a widely dispersed geographical area but generally within the Philippines.

7.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments, if any, for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in short-term placements. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

8. CATEGORIES AND OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

8.1 Offsetting Financial Assets and Financial Liabilities

For financial assets and financial liabilities subject to enforceable master netting agreements or similar arrangements above, each agreement between the Company and counterparties (i.e., related parties) allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

By default, the Company does not elect to settle financial assets and financial liabilities with counterparties through offsetting. Gross settlement is generally practiced.

9. FAIR VALUE MEASUREMENTS AND DISCLOSURES

9.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into

account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

The Company has no financial assets or financial liabilities measured at fair values.

9.2 Fair Value Measurement for Non-financial Assets

The Level 3 fair value of land was derived using market comparable approach that reflects recent transaction prices for similar properties in nearby locations, adjusted for key attributes such as property size, age, condition and accessibility of the land. The most significant input into this valuation approach is the price per square foot; hence, the higher the price per square foot, the higher the fair value.

There has been no change to the valuation techniques used by the Company during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in third quarter 2018 and 2017.

10. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operation

(Based on Financial Statements adopted in accordance with the Philippine Financial Reporting Standards)

Review of September 30, 2018 versus September 30, 2017

Sales Revenues decreased by 5.84% from P 969.39M to P912.79 or by P 56.6M. This was due to the decrease in export sales and slower infrastructure projects.

Cost of Sales decreased by 6.71% from P698.39M as at third quarter 2017 to P651.53M in third quarter of 2018 due to management of manufacturing overhead.

Other Operating expenses decreased P6.73M or 5.28% from P127.39 to P120.66M mainly due to decrease in selling and marketing expenses.

Other Income (net) which included net foreign exchange gain, interest income and other miscellaneous income, increased by P5.17M primarily due to foreign exchange rate differentials during the period.

Financial Condition

Review of financial condition as of September 30, 2018 compared with financial condition as of December 31, 2017

Cash and cash equivalents decreased by P11.95M or 13.14% from P90.96M to P79.01M due to payment of cash dividends and advance payment made for purchase of lot.

Trade and Other Receivables increased by P39.44M or 16.32% from P241.71M to P281.15M primarily due to advance payment for purchase of lot and down payment to suppliers for purchase of machineries.

Inventories increased by P67.28M or 18.20% from P369.55M to P436.83M primarily due to additional purchases of raw materials to hedge against volatility of peso and also due to start of production of PVC roof division.

Prepayments and other current assets increased by P16.66M or 18.84% from P88.41M to P105.07M due to higher input Vat from purchases.

Other Non-current assets decreased by P1.87M or 12.68% from P14.78M to P12.90M due to refund of rental deposit for Roof plant and full amortization of deferred input VAT on some purchases of capital goods exceeding P1M.

Trade and Other Payables increased by P55.17M or 38.77% from P142.31M to P197.48M due to more purchases of raw materials and longer suppliers' credit terms.

Income Tax Payable increased by P7.29M or 121.51% from P6.00M to P13.30M due to higher taxable income for the period.

Mortgage Payable increased by P3.16M or 127.44% from P2.48M to P5.64M due to release of car loan for purchase of delivery equipments.

Post employment retirement payable increased by P2.25M or 24.34% from P9.27M to P11.52M due to additional provision for retirement benefit.

Retained Earnings increased by P47.56M or 17.20% due to Net Profit after tax during the period.

Material Changes as of September 30, 2018 Financial Statements

Statement of Financial Position

(Increase/decrease of 5% or more versus December 31, 2017)

13.14% decrease in cash and cash equivalents

Due to payment of cash dividends and advance payment made for purchase of lot

16.32% increase in trade and other receivables

Due to advance payment for purchase of lot and down payment to suppliers for purchase of machineries

18.20% increase in inventories

Due to additional purchases of raw materials to hedge against volatility of peso and also due to start of production of PVC roof division.

18.84% increase in prepayments and other current assets

Due to higher input Vat from purchases

12.16% decrease in other non-current assets

Due to refund of rental deposit for Roof plant and full amortization of deferred input VAT on some purchases of capital goods exceeding P1M

38.77% increase in trade and other payables

Due to more purchases of raw materials and longer credit terms from suppliers

127.44% increase in mortgage payable

Due to release of bank loan for purchase of delivery equipments

24.34% increase in post employment defined benefit obligation

Due to provision for retirement benefit payable for the period

17.20% increase in retained earnings
Due to additional net profit after tax for the quarter

Statement of Income

(Increase/decrease of 5% or more versus September 30, 2017)

5.84% decrease in sales revenue
Due to decrease in export sales and slower infrastructure projects

6.71% decrease in cost of goods sold
Due to management of manufacturing costs

5.28% decrease in other operating expenses
Mainly due to decrease in selling and marketing expenses.

375.50% increase in other income -net
Primarily due to foreign exchange differentials

There are no other significant changes in the Company's financial position (5% or more) and condition that will warrant a more detailed discussion. Further, there are no material events and uncertainties known to management that would have impact or change the reported financial information and condition of the Company.

There are no known trends or demands, commitments, events or uncertainties that would result in or that are reasonably likely to result in increasing or decreasing the Company's liquidity in any material way. The Company does not anticipate having any cash flow or liquidity problems. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

The Company has no unusual nature of transactions or events that affects assets, liabilities, equity, net income or cash flows.

The unaudited interim financial statements do not include all the information or disclosure required in the financial statements and should be read in conjunction with the Company's audited annual financial statements as of and for the year ended December 31, 2017.

The accounting policies and methods of computation adopted in preparation of the Company's unaudited interim financial statements are the same with the most recent audited annual financial statements for the year ended December 31, 2017.

There were no known material events subsequent to the end of the interim period that have not been reflected in the Company's Financial Statements for the second quarter of 2018.

There were no changes in estimates of amount reported in the current financial year or changes in estimates of amounts reported in prior financial years.

There was no contingent liability reflected in the most recent annual financial statements, the same in the current year financial statements for the second quarter of 2018. There are commitments, guarantees, and contingent liabilities that arise in the normal course of operations of the Company which are not reflected in the accompanying interim financial statements. The management of the Company is of the opinion that losses, if any, from these items will not have any material effect on its interim financial statements.

There are no material commitments for capital expenditures, events or uncertainties that have had or that are reasonable expected to have material impact on the continuing operations of the Company.

Item 3 - Aging of Accounts Receivable

EXHIBIT 7

CROWN ASIA CHEMICALS CORPORATION
(Formerly Crown Asia Compounders Corporation)
Aging of Accounts Receivable
As of September 30, 2018
(Amounts in Philippine Pesos)
(UNAUDITED)

Type of Receivable	Balance	Current/ Not yet due	Over 30 Days	Over 60 days	Over 90 days	Over 120 days
a. Trade and Other Receivables-net (except Advances to Suppliers / Others)	<u>234,502,125</u>	<u>195,177,711</u>	<u>18,004,392</u>	<u>5,680,622</u>	<u>1,513,475</u>	<u>14,125,926</u>

EXHIBIT 8

Item 4 – Key Performance Indicators

Key Performance Indicators

LIQUIDITY RATIOS		
Key Indicators	September 30, 2018	December 31, 2017
Current ratio	4.28 : 1.00	5.33 : 1.00
Acid test ratio	1.71 : 1.00	2.24 : 1.00
Book value per share	1.69	1.62
SOLVENCY RATIOS		
Key Indicators	September 30, 2018	December 31, 2017
Debt to equity ratio	0.23 : 1.00	0.18 : 1.00
Asset to equity ratio	1.23 : 1.00	1.18 : 1.00
PROFITABILITY RATIOS		
Key Indicators	September 30, 2018	September 30, 2017
Earnings per share	0.17	0.16
Return on assets	8.28%	8.65%
Return on equity	9.99%	10.63%
Gross profit ratio	28.62%	27.96%
Net profit ratio	11.43%	10.47%

Notes:

1. Current Ratio (Current Assets/Current Liabilities)
To test the Company's ability to pay its short-term debts
2. Acid Test Ratio (Quick Assets/Current Liabilities)
Measures the Company's ability to pay its short-term debts from its most liquid assets without relying on inventory.
3. Book Value per Share (Equity/Shares Outstanding)
Measures the amount of net assets available to stockholders of a given type of stock.
4. Debt to Equity Ratio (Total Liabilities/Total Equity)
Measures the amount of total assets provided by stockholders
5. Asset to Equity Ratio (Total Assets/Total Equity)
Shows the relationship of the total assets to the portion owned by the stockholders.
Indicates the Company's leverage, the amount of debt used to finance the firm.
6. Earnings per Share (Net Profit/Shares Outstanding)
Reflects the Company's earning capability.
7. Return on Assets (Net Profit/Average Total Assets)
Indicates whether assets are being used efficiently and effectively
8. Return on Equity (Net Profit/Total Equity)
9. Gross Profit Ratio (Gross Profit/Revenues)
Measures the percentage of gross income to sales
10. Net Profit Ratio (Net Profit/Revenues)
Measures the percentage of net income to sales

PART II--OTHER INFORMATION

There is no information not previously reported in a report on SEC Form 17-C.

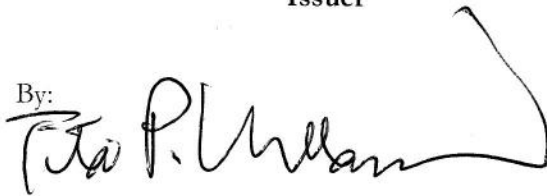
SIGNATURES

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

CROWN ASIA CHEMICALS CORPORATION

Issuer

By:

A handwritten signature in black ink, appearing to read "Tita P. Villanueva", with a long horizontal flourish extending to the right.

TITA P. VILLANUEVA
SVP/Chief Financial Officer