SECURITIES AND EXCHANGE COMMISSION

MAY 2 1 2018

SEC FORM 17-Q

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

1. For the quarterly period ended March 31,2018

2. Commission identification number CS2011102137 3. BIR Tax Identification No 007-979-726

4. Exact name of issuer as specified in its charter **Cirtek Holdings Philippines Corporation**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code: [ ] (SEC Use Only)

7. **116** East Main Avenue, Phase V-SEZ Laguna Technopark, Binan Laguna **4024**
   Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code +63 2 729 6206 +63 49 541 2317

9. Former name, former address and former fiscal year, if changed since last report: **n/a**

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 Shares	**419,063,353 / n/a**
Preferred B2 Shares	**67,000,000/n/a**

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

    Yes [✔] No [ ]

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

Philippine Stock Exchange – Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [✔] No [ ]

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

Yes [✔] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Please see attached

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

Please see attached

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.:

Signature and Title **Anthony Albert S. Buyawe**
Compliance officer/Corporate Information Officer

Date: May 21, 2018

Principal Financial/Accounting Officer/Controller:

Signature and Title. **Anthony Albert S. Buyawe**
Chief Financial Officer

Date: May 21, 2018

CIRTEK HOLDINGS PHILIPPINES CORPORATION

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CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
MARCH 31, 2018
(With Comparative Audited Figures as at December 31, 2017)

	March31,2018 (Unaudited)	December 31,2017 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	$14,220,449	$37,222,737
Trade and other receivables (Note 6)	23,730,586	13,035,433
Inventories (Note 7)	43,248,187	38,996,592
Amounts owed by related parties (Note 18)	61,137,778	54,901,882
Financial asset at fair value through profit or loss (FVPL) (Note 8)	479	501
Other current assets (Note 9)	2,638,728	2,522,879
	144,976,207	146,680,024
Noncurrent assets held for sale (Note 11)	11,408,611	11,408,611
Total Current Assets	156,384,818	158,088,635
Noncurrent Assets		
Available-for-sale (AFS) financial asset (Note 13)	1,667,000	1,667,000
HTM investments (Note 10)	480,563	480,563
Property, plant and equipment (Note 11)	31,101,614	31,293,890
Intangible assets (Note 12)	92,977,759	93,228,107
Deferred income tax assets - net (Note 24)	225,327	207,375
Other noncurrent assets (Note 14)	4,210,729	2,002,376
Total Noncurrent Assets	130,662,992	128,879,311
TOTAL ASSETS	$287,047,810	$286,967,946

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	$35,043,720	$39,952,560
Short-term loans (Note 16)	70,214,404	64,040,088
Current portion of long-term debt (Note 17)	2,914,981	4,253,270
Amounts owed to related parties (Note 18)	548,843	543,203
Income tax payable (Note 24)	328,353	235,000
Total Current Liabilities	109,050,301	109,024,121
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 17)	34,179,575	33,624,575
Retirement benefit obligation (Note 22)	1,877,969	1,890,149
Deferred income tax liabilities - net (Note 24)	2,757,737	2,781,785
Total Noncurrent Liabilities	38,815,281	38,296,509
Total Liabilities	147,865,582	147,320,630
Equity		
Common stock (Note 28)	9,594,321	9,594,321
Preferred stock (Note 28)	2,615,995	2,037,113
Additional paid-in capital (Note 28)	100,469,659	100,469,659
Equity reserve	4,030,214	4,030,214
Other comprehensive income (Note 22)	196,292	196,292
Retained earnings (Note 28)	24,775,054	25,819,024
	141,681,535	142,146,623
Parent Company shares held by a subsidiary (Note 28)	(2,499,307)	(2,499,307)
Total Equity	139,182,228	139,647,316
TOTAL LIABILITIES AND EQUITY	$287,047,810	$286,967,946

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
NET SALES	**$25,859,607**	$16,941,291
COST OF SALES (Note 19)	**(18,056,883)**	(13,711,830)
GROSS PROFIT	**7,802,724**	3,229,461
OPERATING EXPENSES (Note 20)	**(4,328,664)**	(974,722)
FINANCIAL INCOME (EXPENSES)		
Interest income (Notes 5, 8 and 10)	**29,020**	34,731
Interest expense (Notes 16 and 17)	**(1,198,102)**	(559,424)
	(1,169,082)	(524,693)
OTHER INCOME (CHARGES)- Net(Note 23)	**(303,404)**	7,480
INCOME BEFORE INCOME TAX	**2,001,574**	1,737,526
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)		
Current	**95,712**	33,624
Deferred	**(36,707)**	–
	59,005	33,624
NET INCOME	**1,942,569**	1,703,902
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 22)	–	–
TOTAL COMPREHENSIVE INCOME	**$1,942,569**	$1,703,902
Basic/Diluted Earnings Per Share (Note 25)	**$0.002**	$0.004

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREEMONTHS ENDED MARCH 31, 2018 AND 2017

	For the Three Months Ended March 31, 2018 (Unaudited)							
	Common Stock Issued	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Parent Company Shares Held by a Subsidiary	Total
Balances at December 31, 2017	$9,594,321	$2,037,113	$100,469,659	$4,030,214	$196,292	$25,819,024	($2,499,307)	$139,647,316
Net income	–	–	–	–	–	1,942,569	–	1,942,569
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	1,942,569	–	1,942,569
Issuance of additional preferred stock (Note 28)	–	578,882	–	–	–	–	–	578,882
Cash dividends declared (Note 28)	–	–	–	–	–	(2,986,539)	–	(2,986,539)
Sale of parent company shares held by a subsidiary (Note 28)	–	–	–	–	–	–	–	–
Balances at March 31, 2018	$9,594,321	2,615,995	$100,469,659	$4,030,214	$196,292	$24,775,054	($2,499,307)	139,182,228

	For the Three Months Ended March 31, 2017 (Unaudited)							
	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income	Retained Earnings	Parent Company Shares Held by a Subsidiary	Total
Balances at December 31, 2016	$9,594,321	$221,239	$35,896,893	$4,138,375	$40,329	$24,884,576	($49,566,535)	$25,209,198
Net income	–	–	–	–	–	1,703,902	–	1,703,902
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	1,703,902	–	1,703,902
Cash dividends declared (Note 28)	–	–	–	–	–	(1,421,762)	–	(1,421,762
Sales of a parent company shares held by a subsidiary	–	–	–	–	–	–	12,279,031	12,279,031
Balances at March 31, 2017	$9,594,321	$221,239	$35,896,893	$4,138,375	$40,329	$25,166,716	($37,287,504)	($37,770,369

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$2,001,574**	$1,737,526
Adjustments for:		
Depreciation and amortization (Notes19 and 20)	**1,356,799**	750,003
Interest expense (Notes 16 and 17)	**1,198,102**	559,424
Movement in net retirement benefit obligation (Note 22)	**(12,180)**	(29,916)
Net unrealized foreign exchange losses(gains)	**22**	–
Interest income	**(29,020)**	(34,731)
Operating income before working capital changes	**4,515,297**	2,982,306
Increasein:		
Trade and other receivables	**(10,689,578)**	(5,813,001)
Inventories	**(4,251,595)**	(5,298,587)
Other current assets	**(115,849)**	(495,189)
Increase (decrease) in trade and other payables	**(4,273,496)**	4,585,675
Net cash generated from operations	**(14,815,221)**	(4,038,796)
Interest received	**23,445**	34,731
Income taxes paid	**(7,652)**	(3,534)
Net cash flows from operating activities	**(14,799,428)**	(4,007,599)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 11)	**(815,057)**	(1,237,164)
Decrease (increase) in other noncurrent assets	**(2,307,471)**	181,414
Net cash flows used in investing activities	**(3,122,528)**	(1,055,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of short-term loans (Note 16)	**12,174,316**	10,000,000
Issuance of preferred stock	**578,882**	–
Sale of Parent Company shares held by a subsidiary (Note 28)	**–**	12,279,032
Payments of:		
Cash dividends (Note 28)	**(2,986,539)**	(1,421,762)
Interest (Notes 16 and 17)	**(1,616,735)**	(553,597)
Long-term debt (Note 17)	**(1,000,000)**	(2,000,000)
Short-term loans (Note 16)	**(6,000,000)**	(10,000,000)
Net movements in amounts owed by and owed to related parties	**(6,230,256)**	(246,831)
Net cash flows from (used in) financing activities	**(5,080,332)**	8,056,842
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**–**	–
NET INCREASE (DECREASE) IN CASH	**(23,002,288)**	2,993,493
CASH AT BEGINNING OF PERIOD	**37,222,737**	24,511,492
CASH AT END OF PERIOD	**$14,220,449**	$27,504,985

See accompanying Notes to Unaudited Interim Condensed Consolidated Financial Statements.

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITEDINTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Cirtek Holdings Philippines Corporation (CHPC or the "Parent Company") was incorporated under the laws of the Republic of the Philippines on February 10, 2011 to invest in, purchase or acquire personal property of every kind, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities.

The Parent Company was listed in the Philippine Stock Exchange on November 18, 2011.

Prior to the listing, the Parent Company had undergone a corporate reorganization on March 1, 2011 which includes an acquisition from Cirtek Holdings, Inc. (CHI) of 155,511,952 common shares of Cirtek Electronics Corporation (CEC), and 50,000 shares of Cirtek Electronics International Corporation (CEIC), representing 100% of the outstanding capital stock of both companies. The above transaction was treated as a business combination of entities under common control and was accounted for similar to pooling-of-interests method.

Camerton Inc. (Camerton) is the immediate parent of CHPC, while Carmetheus Holdings, Inc. is the ultimate parent company of CHPC and its subsidiaries (the "Group").

CHPC, through its subsidiaries CEC and CEIC, is primarily engaged in two major activities: (1)the manufacture and sales of semiconductor packages as an independent subcontractor for outsourced semiconductor assembly, test and packaging services, and (2) the manufacture of value-added, highly integrated technology products. CEC provides turnkey solutions that include package design and development, wafer probing, wafer back grinding, assembly and packaging, final testing of semiconductor devices, and delivery and shipment to its customers' end users. CEIC sells integrated circuits principally in the United States of America, and assigns the production of the same to CEC. In 2014, CEIC acquired Remec Broadband Wireless Inc. (RBWI or REMEC), renamed Cirtek Advanced Technologies and Solutions, Inc. (CATS), a manufacturer of value added, highly integrated technology products. CATS offers complete "box build" turnkey manufacturing solutions to radio frequency, microwave and millimeterwave products used in the wireless industry such as telecommunication, satellite, aerospace and defense, and automotive wireless devices.

The Parent Company's registered address is 116 East Main Avenue, Phase V-SEZ, Laguna Technopark, Biñan, Laguna.

Incorporation of Cirtek Corporation and Cirtek Cayman Ltd. (CCL, Merger Subsidiary)
Cirtek Corporation was incorporated on July 7, 2017 under the laws of Delaware, USA, to engage in lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware. Cirtek Corporation is a wholly owned subsidiary of CEIC.

In the same period, CCL was incorporated in the Cayman Islands. CCL is a wholly owned subsidiary of Cirtek Corporation and was merged with Quintel Cayman Ltd. (Quintel) in accordance with the Agreement and Plan of Merger ("Agreement") between the Group and the previous stockholders of Quintel.

Acquisition of Quintel
On July 28, 2017, the Parent Company's Board of Directors, (BOD) approved the acquisition of Quintel and its subsidiaries for $83.2 million. Quintel is a leading innovator of spectrum and space-efficient base station antennas for wireless networks.

In accordance with the Agreement, CCL was merged with Quintel, with Quintel as the surviving corporation. All outstanding shares, warrants, and stock options of the previous stockholders of Quintel were converted to a right to receive the consideration from Parent Company and Cirtek Corporation for a total value of $83.2 million. As a result of the merger, each of CCL's one hundred (100) issued and outstanding shares shall be converted into and exchanged for one (1)validly issued, fully paid and non-assessable share of the surviving company. On the other hand, each of Quintel's issued and outstanding shares before the merger shall be cancelled and extinguished. Quintel, being the surviving company, retains the 100 shares originally issued by CCL as its ending capital stock.

The Group believes that Quintel's cutting edge research and development and product capabilities significantly add to and complement the Group's growing portfolio in wireless communication, and is aligned with its business focus on high-growth market segments. Furthermore, being the strategic manufacturing partner of Quintel products places the Group in a unique situation to achieve significant synergies through value engineering, research and development collaboration as well as cost reduction, resulting in high-quality, reliable and cost-competitive products.

To partially finance the acquisition, the Group entered into bridge funding arrangement with several local banks (Note 16).

On August 4, 2017, the Assistant Registrar of Companies for the Cayman Islands issued a Certificate of Merger stating that the companies have merged effective on said date with Quintel as the surviving corporation.

2. Basis of Presentation, Statement of Compliance, Basis of Consolidation and Summary of Significant Accounting Policies

Basis of Preparation
The interim condensed consolidated financial statements of the Group are prepared on a historical cost basis except for financial asset at FVPL, which are carried at fair value, and noncurrent assets held for sale, which are stated at the lower of carrying amount and fair value less costs to sell. The interim condensed consolidated financial statements are presented in United States (US) dollars ($), which is the Parent Company's functional and presentation currency. All amounts are rounded off to the nearest US dollar except when otherwise indicated.

Statement of Compliance
The interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's December 31, 2017 annual consolidated financial statements.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of the following (see Notes 1 and 3):

	Country of Incorporation	Percentage of Ownership			
		March 31, 2018		December 31, 2017	
		Direct	Indirect	Direct	Indirect
CEC	Philippines	100	–	100	–
CEIC	BVI	100	–	100	–
CATS (formerly known as RBWI)	BV I	–	100	–	100
CATS - Philippine Branch	Philippines	–	100	–	100
RBW Realty and Property, Inc. (RBWRP)	Philippines	–	100	–	100
Cirtek Corporation	United States of America	–	100	–	–
Quintel Cayman	Cayman Islands	–	100	–	–
Quintel Technology, Ltd.	United Kingdom	–	100	–	–
Quintel USA	United States of America	–	100	–	–
Telecom Quintel Mauritius, Ltd.*	Republic of Mauritius	–	100	–	–

**In the process of dissolution.*

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the interim condensed consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the stand-alone financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

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

The Group records the difference as equity reserve and is presented as a separate component of equity in the consolidated balance sheet. Comparatives shall be restated to include balances and transactions as if the entities have been acquired at the beginning of the earliest period presented in the interim condensed consolidated financial statements, regardless of the actual date of the combination.

Changes in Accounting Policies and Disclosures
The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2018, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation on IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

3. Operating Segments

Financial information on the Group's business segments as of March 31, 2018 and December 31, 2017 are presented below. The amounts disclosed were determined consistent with the measurement basis under PFRS.

For the three months ended March 31, 2018:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Net sales:					
External customers	$9,424,670	$1,773,744	$14,661,193	$–	$25,859,607
Inter-segment	–	10,414,658	–	(10,414,658)	–
Total net sales	$9,424,670	$12,188,402	$14,661,193	(10,414,658)	$25,859,607
Segment depreciation and amortization	$765,261	$227,362	$164,176	$200,000	$1,356,799
Segment interest income	12,827	45	16,148	–	29,020
Segment interest expense	935,583	–	262,519	–	1,198,102
Segment profit (loss) before income tax	$849,365	$1,837,455	($1,143,142)	$457,896	$2,001,574
Segment provision for (benefit from) income tax	(95,712)	–	(5,293)	42,000	(59,005)
Segment profit (loss) after income tax	$753,653	$1,837,455	($1,148,435)	$499,896	$1,942,569

Other financial information of the operating segments as of March 31, 2018 is as follows:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$126,015,233	$71,253,454	$26,888,934	($67,772,804)	$156,384,817
Noncurrent assets	31,911,834	6,047,333	396,548	92,307,278	130,662,993
	$157,927,067	$77,300,787	$27,285,482	$24,534,474	$287,047,810
Liabilities:					
Current liabilities	$79,230,720	$57,169,634	$36,455,563	($63,805,616)	$109,050,301
Noncurrent liabilities	34,850,410	130,086	1,095,000	2,739,785	38,815,281
	$114,081,130	$57,299,720	$37,550,563	($61,065,831)	$147,865,582

Prior to the Group's acquisition of Quintel, the Group has reported only one operating segment primarily because the Group operates out of one geographical location and the Group has previously reported information on an entity-wide basis.

The Group has re-presented segment information for the prior period to align with the 2018 presentation.

For the three months ended March 31, 2017:

	CEC	CATS - Philippine Branch	Eliminations and Consolidation Adjustments	Consolidated
Net sales	$8,895,844	$8,045,447	$–	$16,941,291
Segment depreciation and amortization	–	–	–	–
Segment interest income	6,924	27,807	–	34,731
Segment interest expense	559,424	–	–	559,424
Segment profit before income tax	1,404,815	332,711	–	1,737,526
Segment provision for income tax	20,901	12,723	–	33,624
Segment profit after income tax	$1,383,914	$319,988	$–	$1,703,902

Other financial information of the operating segments as of December 31, 2017 is as follows:

	CEC	CATS - Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets:					
Current assets	$121,617,539	$63,013,402	$24,158,971	($50,701,277)	$158,088,635
Noncurrent assets	29,712,815	6,084,886	574,332	92,507,278	128,879,311
	$151,330,354	$69,098,288	$24,733,303	$41,806,001	$286,967,946
Liabilities:					
Current liabilities	$74,354,747	$47,913,285	$33,394,679	($46,638,590)	$109,024,121
Noncurrent liabilities	34,838,500	136,223	540,000	2,781,786	38,296,509
	$109,193,247	$48,049,508	$33,934,679	($43,856,804)	$147,320,630

4. Business Combination

Acquisition of Quintel Cayman, Ltd. and Subsidiaries (Quintel Group)
As discussed in Note 1, the Group acquired the 100% of Quintel Group effective on August 4, 2017. The amount of all-cash consideration transferred for the acquisition was $83,152,953.

The provisional fair values of the identifiable assets and liabilities acquired as at the date of the acquisition are as follows:

Assets	
Current Assets	
Cash	$1,849,741
Accounts receivable - net	3,920,576
Inventories - net	10,029,461
Prepayments and other current assets	306,517
Noncurrent Assets	
Intangible assets (Note 12)	30,900,000
Property and equipment	499,842
Total Assets	47,506,137
Liabilities	
Current Liabilities	
Accounts payable and accrued expenses	$21,209,518
Current portion of long-term debt	300,000
Noncurrent Liabilities	
Long-term debt - net of current portion	625,962
Deferred income tax liabilities - net	4,158,315
Total Liabilities	26,293,795
Fair value of identifiable net assets	21,212,342
Acquisition cost	83,152,953
Goodwill	$61,940,611

The cost of the acquired assets and liabilities of Quintel Group is equal to fair value (and gross contractual amounts for acquired receivables), except for the following assets and liabilities not previously recognized by Quintel Group:

- Accrued expenses amounting to $1,019,000;
- Intangible assets comprising of technology, trademark and customer relationships valued at $30,900,000 (see Note 12); and
- Carry forward benefit of net operating loss.

As a result, net deferred income tax liability on the fair value adjustment amounting to $4,158,315 was recognized.

As provided for under PFRS 3, the Group has applied provisional accounting for the purchase price allocation, subject to finalization during the measurement period not exceeding one year from the acquisition date. The Group is in the process of completing the identification of the intangible assets arising from the acquisition and the determination of other possible adjustments such as inventories and contingent liabilities, among others, that may impact the amount of goodwill.

The provisional goodwill represents the expected synergies through value engineering, research and development collaboration, as well as cost reduction, resulting in high-quality, reliable and cost competitive products. None of the goodwill recognized will be deductible for tax purposes. The interim condensed consolidated statement of comprehensive income as of and for the three months ended March31, 2018 include the results of operations of Quintel from the January 1, 2018 up to March 31, 2018, before elimination, as follows:

Net sales	14,661,193
Cost of sales	(11,790,367)
Gross income	2,870,826
Operating expenses	(3,189,073)
Other expenses - net	(578,524)
Financial expense - net	(246,371)
Loss before income tax	(1,143,142)
Provision for income tax	(5,293)
Net loss	(1,148,435)

The table below shows the analysis of cash flow on acquisition:

Cash consideration transferred	$83,152,953
Net cash acquired with the subsidiary	(1,849,741)
Net cash flow on acquisition	$81,303,212

Transaction costs of $1,371,833 were expensed and are included in operating expenses in 2017 (see Note 20).

5. Cash and Cash Equivalents

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	**$246**	$250
Cash in banks	**14,217,038**	37,219,322
Cash equivalents	**3,165**	3,165
	$14,220,449	$37,222,737

Cash in banks earn interest at prevailing bank deposit rates.

Interest income earned from cash in banks amounted to$29,020and$34,731for the three months ended March 31, 2018 and2017, respectively.

6. Trade and Other Receivables

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade receivables	**$20,426,677**	$12,728,285
Others	**3,544,921**	548,160
	23,971,598	13,276,445
Less allowance for impairment losses on trade receivables	**(241,012)**	(241,012)
	$23,730,586	$13,035,433

Trade receivables are noninterest-bearing and are generally on 30-120 days' terms.

In 2017, the Group recognized an additional allowance for impairment loss amounting $200,000 pertaining to trade receivables (nil in 2018).

Others include nontrade receivable from suppliers which are expected to be collected within one year.

7. Inventories

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
At cost:		
Raw materials	**$25,254,689**	$16,781,199
Work in process	**(1,395,827)**	5,338,381
Finished goods	**17,457,444**	15,492,661
Spare parts and others	**1,020,551**	739,631
	42,336,857	38,351,872
At net realizable value (NRV):		
Supplies and others	**911,330**	644,720
Total inventories at lower of cost and NRV	**$43,248,187**	$38,996,592

Certain inventories have been provided with allowance to reflect valuation for non-movement and obsolescence.

The allowance for inventory obsolescence of supplies and other inventories as of March 31, 2018 and December 31, 2017 amounted to $96,884, respectively.

8. Financial Asset at FVPL

Financial asset at FVPL as of March 31, 2018 and December 31, 2017 represent the outstanding Rizal Commercial Banking Corporation (RCBC) USD Senior Unsecured Fixed Rate Notes (senior note), which earns 4.25 % fixed rate per annum, payable semi-annually commencing July 21, 2015. The senior note is listed and actively traded in Singapore Exchange Securities Trading Limited. The investment's fair value has been determined directly by reference to published prices quoted in an active market.

9. Other Current Assets

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Rental deposit (Note 18)	**$1,151,572**	$1,203,004
Advances to suppliers	**526,138**	564,519
Loans to employees	**307,901**	312,451
Prepaid expenses	**435,004**	208,786
Security deposit	**182,424**	182,510
Others	**35,689**	51,609
	$2,638,728	$2,522,879

Advances to suppliers pertain mainly to down payments for production materials and services that are still to be delivered.

10. HTM Investments

In compliance with the Corporation Code of the Philippines, foreign corporations doing business in the Philippines are required to deposit with the Philippine SEC securities worth at least $2,300 (₱100,000) and additional securities with market values equivalent to a certain percentage of the amount by which CATS - Philippine Branch's gross income exceeds $0.10 million (₱5.0 million).

The Philippine SEC shall also require a deposit of additional securities if the actual market values of the securities in deposit decreases by at least 10% of their actual market values at the time they were deposited.

The Group's HTM investments pertain to a government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation.

11. Property, Plant and Equipment and Noncurrent Assets Held for Sale

Property, plant and equipment
During the three months ended March 31, 2018 and 2017, the Group acquired assets with a cost of $815,057 and $1,237,164, respectively.

Noncurrent assets held for sale
On December 9, 2014, the Parent Company's BOD approved the plan to sell and dispose certain assets such as land, building and other improvements, and building plant and machinery of CATS and RBWRP to any interested buyers as these are excess assets from the acquisition and are no longer needed in CATS - Philippine Branch's operations. An independent valuation was obtained to determine the fair values of property, plant and equipment. Effective December 31, 2014, property, plant and equipment with carrying value of $11,408,611 were classified as noncurrent assets held for sale in the consolidated balance sheets and have since been measured at the lower of carrying value and fair value less costs to sell.

The Parent Company's management is committed to selling the assets which are available for immediate sale and is active in looking for interested buyers. During the one-year period from the date the assets were classified as held for sale, circumstances arose that were previously considered unlikely and, as a result, the noncurrent assets held for sale were not sold by the end of the one-year period. Management took necessary actions to respond to the change in circumstances and ensured that the noncurrent assets are being actively marketed at a price that is reasonable, given the change in circumstances.

The fair value of the noncurrent assets held for sale was determined as the sum of:
- Fair value of land computed using the Market Approach (Level 3); and
- Fair value of improvements, and machinery and equipment computed as Replacement Cost New less estimated accrued depreciation (Level 3).

The valuations were performed by a Philippine SEC accredited appraiser as of December 31, 2017.

Market Approach is a method of comparing recent sales and sales offerings of similar properties located in the surrounding area, adjusted for time, size, location and other relevant factors. Price per square meter of market comparables range from \$125 to \$150. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

Replacement Cost New is estimated as follows:

- For improvements, the appraiser used the Comparative Unit Method. This method is derived by dividing the total known cost of similar buildings or structures by the total construction floor area of those structures, combining all the costs of a particular type and quality of structure into one value as a cost per square meter. The resulting benchmark costs are then adjusted to reflect the difference between the benchmark building and structures to the subject property in terms of market conditions, location and/or physical characteristics.

  Construction cost per square meter range from \$308 to \$411.Adjustments are then made to reflect depreciation resulting from physical deterioration, functional and economic obsolescence.

- For machinery and equipment, the appraiser considered the cost to reproduce or replace in new condition the assets appraised in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit and fees, and all other attendant cost associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. An allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history, is also considered.

Costs to sell, such as marketing expenses, brokerage fees and relevant taxes, were also estimated to arrive at the amount of fair value less costs to sell.

As of March 31, 2018 and December 31, 2017, the carrying value of noncurrent assets held for sale amounting to \$11,408,611 is lower than fair value less costs to sell.

12. **Intangible Assets**

	March 31, 2012 (Unaudited)	December 31, 2017 (Audited)
Goodwill	**\$61,940,611**	\$61,940,611
Customer relationships (Note 4)	**17,800,000**	17,800,000
Technology	**7,466,667**	7,666,667
Trademark (Note 4)	**5,100,000**	5,100,000
Product development costs	**670,481**	720,829
	\$92,977,759	\$93,228,107

Goodwill
The goodwill recognized for the acquisition of Quintel is still at its provisional value as of March 31, 2018 and December 31, 2017 as the Group is in the process of completing the identification of the intangible assets arising from the acquisition and the determination of other possible adjustments such as inventories and contingent liabilities, among others, that may impact the amount of goodwill.

Customer relationships
Customer relationships represent Quintel's established relationships with two of the largest telecom companies in the US. Such relationships are deemed valuable given the length of their relationships (from as far back as 2008) and the difficulty in establishing connections. Management strongly believes that the relationships with their current customers will drive Quintel's business in the long run.

The fair value of customer relationships is determined based on discounted excess earnings, which is the difference between the post-tax cash flows attributable to the sales made to Quintel's current customers and the contributory asset charges used to generate the cash flows (i.e., multi period excess earnings method). Customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Technology and Trademark
The fair values of Quintel's technology and registered trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the acquired assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of 10 years, which will result in yearly amortization of $0.8 million. Amortization of technology in 2018 amounted to $200,000. On the other hand, trademark is estimated to have an indefinite useful life, and will be subject to yearly impairment testing.

Product development costs
Product development costs pertain to CEC's and CATS - Philippine Branch's capitalized cost of developing certain packages or products for specific customers. The development costs met the requirements of PAS 38 for capitalization. Amortization of product development cost charged to the consolidated statements of comprehensive income amounted to $50,348 for the three months ended March 31, 2018 and 2017, as these are available for use.

13. AFS Financial Asset

The Group's AFS financial asset pertains to an investment in unquoted equity shares acquired at a cost of $1,667,000 in 2015.

As the Group does not have access to the investee's financial information, the Group is unable to establish a reasonable basis to measure the financial asset's fair value and hence continues to measure the unquoted investment at cost.

14. Other Noncurrent Assets

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Advances to suppliers	**$2,093,735**	$1,818,041
Investment in associate	**1,977,281**	–
Miscellaneous deposits	**133,191**	177,591
Loans to employees	**10**	233
Others	**6,512**	6,511
	$4,210,729	$2,002,376

Advances to suppliers pertain to down payments for the acquisition of software and building expansion.

Miscellaneous deposits pertain to refundable deposits with MERALCO for the installation of CEC's electrical meters and bill deposit equivalent to one month energy consumption.

As of December 31, 2017 and 2016, CEC has software with a total cost of $39,278 which are fully amortized but are still used in operations.

The Parent Company acquired 441,000 shares of Multipay Corporation ("Multipay"), equivalent to a 49% interest in Multipay. The deed to effect the transfer was executed on January 24, 2018 but the actual transfer of the shares in the name of the Parent Company remains in process. Multipay is a Philippine corporation engaged in the business of development, promotion and marketing of technology, systems solutions and application that can be utilized as a platform for connectivity, processing and delivery of electronic services. Share in net income from Multipay for the three months ended March 31, 2018 is not material to the Group.

15. Trade and Other Payables

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade	**$28,623,396**	$30,631,478
Accruals:		
Utilities	**357,650**	355,164
Payroll	**626,981**	711,426
Interest (Notes 16 and 17)	**192,557**	257,793
Others	**686,033**	2,433,654
Advances from customers	**2,056,170**	2,762,953
Provision for warranty	**2,404,560**	2,252,870
Others	**96,373**	547,222
	$35,043,720	$39,952,560

Trade payables are noninterest-bearing and are generally on 60-90 days' terms.
Accruals comprise mainly of accruals for electricity, water, communication, security, shuttle services and professional services.

Advances from customers pertain mainly to down payments for sales orders.
Provision for warranty pertains to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications.

Other payables pertain to statutory liabilities and are generally payable within 12 months from the balance sheet date.

16. Short-term Loans

The Group has the following loan facilities:

		March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Rizal Commercial Banking Corporation (RCBC)	(a)	**$30,110,000**	$29,872,000
Bank of the Philippine Islands (BPI)	(b)	**22,268,088**	22,268,088
Security Bank Corporation (SBC)	(c)	**10,000,000**	10,000,000
Metropolitan Bank and Trust Company (MBTC)	(d)	**1,900,000**	1,900,000
Banco de Oro (BDO)		**5,936,316**	–
		$70,214,404	$64,040,088

a. Revolving loan facilities with RCBC which have payment terms ranging from 60 to 360 days. The facility is unsecured and charged interest of 2.25% to 4.00% and 2.25% to 2.50% per annum in 2017 and 2016, respectively.

b. Revolving loan facilities with BPI which have payment terms ranging from 180 to 360 days. The facility is unsecured and charged interest of 1.80% to 3.60% per annum in 2017 and 2016, respectively.

c. Revolving loan facilities with SBC which have payment terms ranging from 90 to 180 days. The facility is unsecured and charged interest of 1.95% to 2.54% and 1.95% to 2.10% per annum in 2017 and 2016, respectively.

d. Revolving loan facilities with MBTC which have payment terms of 180 days. The facility is unsecured and charged interest of 3% per annum in 2017.

Interest expense incurred from these short-term loan facilities amounted to $629,893 and $155,716for the three months ended March31, 2018 and 2017, respectively.

17. Long-term Debt

As of March 31, 2018 and December 31, 2017, the details of long-term debt are as follow:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Principal	**$37,345,000**	$38,150,000
Less deferred financing costs	**250,444**	272,155
	37,094,556	37,877,845
Less current portion - net of deferred financing costs	**2,914,981**	4,253,270
	34,179,575	$33,624,575

Parent Company

2012 Note Facility Agreement (NFA)

On July 25, 2012, the Parent Company entered into a $10.0 million NFA with MBTC (Initial Note Holder), MBTC - Trust Banking Group (Facility and Paying Agent) and First Metro Investment

Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 3.6% per annum payable quarterly. On July 27, 2012 (Issue Date), the Parent Company drew $10.0 million from the facility. The net proceeds from the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue Date. The remaining 70% of the loan outstanding on issue date is payable in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of prepayment. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not, at any time, be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement as the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Issuer and its subsidiaries to pay or repay money.

The loan was fully paid in 2017.

2014 NFA

On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Noteholder), Metropolitan Bank & Trust Company - Trust Banking Group (Facility and Paying Agent) and First Metro Investment Corporation (Arranger). The Notes Facility bears interest of 3.14% per annum payable quarterly. The net proceeds of the issuance of the Notes shall be used to finance the Group's strategic acquisitions and for general corporate purposes.

Under the NFA, the Parent Company shall pay 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until end of the 16th quarter from the Issue date. The remaining 70% of the loan outstanding on issue date is payable in 4 equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole but not in part, the relevant outstanding notes beginning on and after the third anniversary of the issue date, by paying the amount that is equivalent to 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate. The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

Under this agreement, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Issuer and its subsidiaries to pay or repay money.

2016 NFA
On September 20, 2016, the Parent Company entered into a $30.0 million NFA with BPI (Initial Note Holder), BPI Asset Management and Trust Group (Facility and Paying Agent) and BPI Capital Corporation (Arranger). The NFA provided for the issuance of 5-year fixed rate corporate note which bears interest of 4.0% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used for capital expenditures, including production facilities and to refinance existing debt obligation and for working capital requirement.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in 12 equal consecutive quarterly installments in the amount equivalent to 2.5% of loan outstanding on issue date commencing on the end of the 5th quarter until the end of the 16th quarter from the issue date. The remaining 70% of the loan outstanding on issue date in four (4) equal consecutive quarterly installments in the amount equivalent to 17.5% of the loan outstanding on issue date commencing on the 17th quarter from the issue date until the maturity date, provided that each such date shall coincide with an interest payment date, and that the last installment shall be in an amount sufficient to fully pay the loan.

The NFA contained an embedded derivative arising from voluntary prepayment option where the Parent Company may redeem in whole or in part, equivalent to an amount not less than $100,000, the relevant outstanding notes on any interest payment date beginning on the third anniversary of the issue date, by paying the amount that is equivalent to the higher of (i) 102% of the unpaid principal amount together with any and all accrued interest up to the date of redemption at the applicable rate, and (ii) 100% of the unpaid principal amount of the loans together with any and all accrued interest up to date of redemption at the applicable rate and any related breakage costs (net of any breakage gains). The Parent Company assessed that the embedded derivative in the NFA is closely related to the host contract, thus was not bifurcated from the host contract based on the provisions of PAS 39.

In accordance with the NFA, the following financial ratios must be maintained:

- debt to equity ratio shall not, at any time, exceed 2:1;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.5; and
- current ratio shall not at any time be less than 1:1, provided however, this ratio shall not apply after the fourth anniversary of the issue date.

Equity is defined in the agreement the aggregate of outstanding capital stock, additional paid-in capital stock, equity reserve and retained earnings at any date and as shown in the latest consolidated balance sheet of the Parent Company. Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Issuer and its subsidiaries to pay or repay money.

The Parent Company is in compliance with the debt covenants as of March 31, 2018 and December 31, 2017.

<u>CATS</u>
In 2012, CATS obtained a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in 28 quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three month London inter-bank offer rate (LIBOR). This bank loan was specifically borrowed to refinance the parcel of land with improvements located along Innovation Drive, Carmelray Industrial Park 1, Brgy. Canlubang, Calamba City, Laguna and registered in the name of RBWRP. The land and building owned by RBWRP were used as collateral for the secured interest-bearing loan (see Note 12). The Group assumed the loan upon acquisition of REMEC's manufacturing division in 2014.

The loan contract gives the Group an option to prepay the loan in part or in full, subject to the Group giving the creditor at least 30 days advance notice of its intention to make such prepayment counted from the date of receipt by the creditor of such written notice.

On September 26, 2016, the Group prepaid the balance of the loan, including accrued interest, for $4,684,319.

<u>Quintel USA</u>
Long-term debt amounting to $1.1 million as of March 31, 2018 pertains to a term note payable to a state development corporation accruing interest monthly through July 2021. The agreement includes a Convertible Loan Principal Reduction feature providing that if Quintel achieves annual minimum full-time permanent employment targets through 2021, as defined in the loan agreement, the principal is reduced by 20% at each annual measurement date. The first measurement date was amended to June 30, 2015. The note bears interest at 3.0% per annum.

The loan agreement does not require Quintel USA to maintain any financial ratio, but instead comply with certain financial reporting requirements.

Quintel is in compliance with the financial reporting requirements as of December 31, 2017.

<u>Interest Expense</u>
Total interest expense (including amortization of deferred financing costs) recognized in the consolidated statements of comprehensive income amounted to $568,209, and $1,764,469 in 2018 and 2017, respectively.

18. Related Party Disclosures

Related party relationship exists when the party has the ability to control, directly or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships.

In the normal course of business, the Group has entered into transactions with affiliates. The significant transactions consist of the following:

a. Advances for operating requirements of CHI, former parent of CEC and CEIC;
b. Rental of land and lease deposit with Cirtek Land Corporation (CLC), an affiliate, where the manufacturing building 1 and administrative building is situated;
c. Payments and /or reimbursements of expenses made or in behalf of the affiliates;
d. Rental of land with Cayon Holdings, Inc. (Cayon), an affiliate, where the building 2 of the Group is situated;
e. Collections made by Camerton in behalf of the Group; and
f. Advances to officers and stockholders.

The interim consolidated balance sheets and interim consolidated statements of comprehensive income include the following significant account balances resulting from the above transactions with related parties:

a. Amounts owed to related parties

		Transactions Three Months Ended March 31 (Unaudited)		Balances as of			
		2018	2017	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	Terms	Conditions
Other related parties							
CLC	Rental	$2,955	$3,043	$462,003	$459,048	Due on demand; noninterest-bearing; to be settled in cash	Unsecured
Cayon	Rental	2,685	2,765	86,840	84,155	Due on demand; noninterest-bearing; to be settled in cash	Unsecured
				$548,843	$543,203		

b. Amounts owed by related parties

		Transactions Three Months Ended March 31 (Unaudited)		Balances as of			
		2018	2017	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	Terms	Conditions
Parent							
Camerton	Collections on behalf of the Group	$20	$–	$4,589,188	$4,589,168	Due on demand; non-interest bearing	Unsecured; no impairment
Individual stockholders	Advances	6,235,863	–	54,525,094	48,289,231	Due on demand; non-interest bearing	Unsecured; no impairment

(Forward)

Other related entities							
CHI	Advances for working capital	$–	$–	$1,809,256	$1,809,256	Due on demand; non-interest bearing	Unsecured; no impairment
Cayon	Reimbursement of expenses	13	9,984	214,240	214,227	Due on demand; non-interest bearing	Unsecured; no impairment
				$61,137,778	$54,901,882		

c. Rental deposit

	Transactions Three Months Ended March 31 (Unaudited) 2018	2017	Balances as of March 31, 2018 (Unaudited)	December 31, 2017 (Audited)	Terms	Conditions
Other related parties						
CLC	$–	$–	$1,151,572	$1,203,004	Due on demand; noninterest-bearing; to be settled in cash	Unsecured; no impairment

The above related parties, except the stockholders, are entities under common control of the ultimate parent company.

Transactions with individual stockholders
In May, 2018, the Parent Company has collected $14.8 million from the outstanding balance of advances to individual stockholders as of March 31, 2018.

Transactions with CHI, Charmview Enterprises Ltd (CEL)
The amount owed by an officer amounting to $7.7 million as of December 31, 2010 was transferred in 2011 to CEL, the former ultimate parent of CEC and CEIC. CEL now owns 40% interest in Camerton, the parent of CHPC.

The amounts owed by and to CHI as of December 31, 2010 represent advances for working capital in the normal course of business when CEC and CEIC were then still subsidiaries of CHI.

For purposes of settling outstanding balances with the Group and as part of corporate restructuring in preparation for the planned Initial Public Offering (IPO) of the Parent Company, on March 17, 2011, CHI, CEL and the officer, with the consent of the Group, entered into assignment agreements whereby CHI absorbed the amounts owed by CEL and by the officer as of March 17, 2011 amounting to $7.7 million and $0.8 million, respectively.

The Group, with the consent of the related parties, entered into assignment agreements whereby the Parent Company absorbed the amount owed by CEIC to CHI totaling $3.6 million representing unpaid advances of $2.3 million and dividends of $1.3 million as of March 17, 2011 (see Note 27).

Thereafter, on March 18, 2011, the Parent Company and CHI, in view of being creditors and debtors to each other as a result of the assignment agreements above, entered into a set-off agreement for the value of the Group's liability aggregating $6.8 million. The amount represents the above mentioned total liability of $3.6 million and the balance outstanding from the Parent Company's purchase of CEC and CEIC amounting to $3.2 million, as revalued from the effect of foreign exchange rate.

The amount owed by CHI as of March 31, 2018 and December 31, 2017 pertains to the outstanding receivable arising from the assignments and set-off agreements as discussed above.

Transactions with CLC and Cayon
CLC is an entity under common control of the ultimate parent company. CEC had a lease agreement on the land where its manufacturing plant (Building 1) is located with CLC for a period of 50 years starting January 1, 1999. The lease was renewable for another 25 years at the option of CEC. The lease agreement provided for an annual rental of $151,682, subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2005, CEC terminated the lease agreement with CLC but has continued to occupy the said land for no consideration with CLC's consent. With the termination of the lease agreement, the Group has classified the rental deposit amounting to ₱60.1 million ($1.2 million and $1.1 million as of December 31, 2017 and 2016, respectively) as current asset as the deposit has become due and demandable anytime from CLC (see Note 9).

On January 1, 2011, CEC entered into an agreement with CLC to lease the land where CEC's Building 1 is located. The agreement calls for a ₱640,704 rent per annum for a period of 10 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed-upon. Total rent expense charged to operations amounted to $5,938, and $12,713 in 2018 and 2017, respectively.

CEC also entered into an agreement with Cayon starting January 1, 2011 to lease the land where CEC's Building 2 is located. The agreement calls for an annual rental of ₱582,144 for a period of 10 years and renewable there after by mutual agreement of the parties subject to such new terms and conditions as they may then be mutually agreed upon. Total rent expense charged to operations amounted to $3,250and $11,551in 2018 and 2017, respectively.

The compensation of key management personnel of the Group are as follows:

	2018	2017
Salaries and wages	**$385,056**	**$2,177,795**
Other employee benefits	**98,983**	**420,730**
	$484,039	**$2,598,525**

19. Cost of Sales

	Three Months Ended March 31 (Unaudited)	
	2018	2017
Raw materials, spare parts, supplies and other inventories used	**$11,641,383**	$8,945,203
Salaries, wages and employees' benefits	**3,341,827**	2,646,113
Depreciation and amortization	**1,256,526**	729,356
Utilities	**1,072,712**	946,770
Inward freight and duties and others	**712,417**	444,388
Others	**32,018**	–
	$18,056,883	$13,711,830

20. Operating Expenses

	Three Months Ended March 31 (Unaudited)	
	2018	2017
Salaries, wages and employees' benefits (Note 21)	**$1,535,084**	$561,633
Utilities	**691,833**	88,823
Transportation and travel	**657,348**	105,594
Professional fees	**614,535**	43,497
Commissions	**162,266**	37,496
Taxes and licenses	**126,624**	66,912
Research costs	**181,636**	–
Depreciation	**100,273**	20,648
Entertainment, amusement and recreation	**87,926**	28,821
Insurance premiums	**34,909**	1,799
Office supplies	**23,816**	7,709
Others	**112,414**	11,790
	$4,328,664	$974,722

"Others" mainly consist of receivables directly written off and other charges.

21. Salaries and Wages and Employees' Benefits

	Three Months Ended March 31 (Unaudited)	
	2018	2017
Salaries and wages	**$4,310,902**	$2,840,671
Other employees' benefits	**467,220**	308,666
Retirement costs	**98,789**	58,410
	$4,876,911	$3,207,747

Other employees' benefits consist of allowances and mandatory contributions.

22. Retirement Benefit Obligation

<u>Defined Benefit Plans</u>

CEC has a funded, noncontributory defined benefit retirement plan administered by the Board of Directors while CATS - Philippine Branch has an unfunded and non-contributory defined benefit retirement plan, with both entities covering all regular employees. Retirement benefits costs are determined in accordance with an actuarial study and are based on the employees' years of service and monthly basic salary. CEIC has not established a retirement plan while the Parent Company and RBWRP have no employees.

Under the existing regulatory framework, R.A. No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

CEC has an agreement with an insurance company to fund the retirement benefits of its employees. CEC believes that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to pay or fund the retirement benefits. As of March 31, 2018 and December 31, 2017, the asset mix is a combination of 34% long-term investments, composed of government securities and corporate bonds, 62% investments in quoted equity securities and 4% short-term investments, composed of short-term placements and others.

Defined Contribution Plans
Quintel USA has a retirement savings plan under Section 401(k) of the United States Internal Revenue Code. Employees are eligible to participate in the plan after completing three months of service. Quintel USA makes a matching contribution of 100% of each employee's contributions up to 4% of such employee's compensation. From the date of acquisition to December 31, 2017, Quintel USA made approximately $94,544 in matching contributions.

Quintel Technology, Ltd. has a defined contribution plan covering substantially all UK employees. From the date of acquisition to December 31, 2017, Quintel Technology, Ltd. made approximately $6,915 in contributions.

23. **Other Income (Charges)**- Net

	Three Months Ended March 31 (Unaudited)	
	2018	2017
Foreign exchange gains (losses)- net	**($900,466)**	$26,070
Sale of scrap	**63,365**	16,074
Gain on condonation	**195,000**	–
Others - net	**338,697**	(34,664)
	($303,404)	$7,480

Other income pertains to the miscellaneous receipts from customers in prior periods.

24. **Income Taxes**

CEC
On March 24, 1998, the Philippine Economic Zone Authority (PEZA) approved CEC's registration as an ecozone export enterprise at the Laguna Technopark for the manufacture of standard integrated circuits, discrete, hybrid and potential new packages.

Beginning October 30, 2002, the manufacture and export of integrated circuits, discrete and hybrid transferred to PEZA from Board of Investments (where originally registered) and became subject to the 5% gross income tax incentive, as defined under R.A. No. 7916, the law creating the PEZA.

CATS - Philippine Branch
CATS-Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeterwave components and subsystems in a special economic zone to be known as the Carmelray Industrial Park I - Special Economic Zone (CIP I-SEZ) and Laguna Technopark in accordance with the project study, representations,

commitments and proposals set forth in its application forming integral parts, subject to the terms and conditions provided in its registration..

As a PEZA-registered entities, CEC and CATS - Philippine Branch are entitled to tax incentives equivalent to 5% of the gross income earned on its registered activities after the income tax holiday (ITH) of four years.

The provision for current income tax for the nine months ended March 31 2018 and 2017pertains to the special rate of 5% on taxable gross income of CEC and CATS - Philippine Branch.

Based on the National Internal Revenue Code Sec. 27, MCIT of two percent (2%) of the gross income as of the end of taxable year is imposed on corporation beginning on the fourth taxable year immediately following the year in which such corporation started its commercial operation when the MCIT is greater than the regular corporate income computed for the taxable year. The Parent Company is subject to MCIT beginning 2015.

<u>Changes in Legislation</u>
United States of America (U.S.)
The Group is subject to income taxes in the U.S. owing to Quintel USA.

The Tax Act was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, Quintel has made reasonable estimates of the effects and recorded provisional amounts in the consolidated financial statements for the year ended December 31, 2017. As Quintel collects and prepares necessary data, and interpret any additional guidance issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, Quintel may make adjustments to the provisional amounts. Those adjustments may materially impact the provision for income taxes and the effective tax rate in the period in which the adjustments are made. The accounting for the tax effects of the enactment of the Tax Act will be completed in 2018.

Philippines
Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax laws and includes several provisions that will generally affect businesses on a prospective basis, management assessed that the same will not have any significant impact on the consolidated financial statement balances as of balance sheet date.

25. Earnings Per Share (EPS)

The following table presents information necessary to calculate EPS on net income.

	Three Months Ended March 31 (Unaudited)	
	2018	2017
Net income attributable to common shareholders of Parent Company*	**$887,630**	$1,695,502
Weighted average number of common shares outstanding	**419,063,353**	419,063,353
Basic and diluted EPS	**$0.002**	$0.004

**Net of dividends declared on preferred A, preferred B-1 and preferred B-2 shares for the months ended March 31, 2018 and 2017 totaling to $1,054,939 and $8,400, respectively, and undeclared dividends on cumulative preferred B-1 and B-2 shares amounting to $872,837for the three months ended March 31, 2018 [(nil for the three months ended March 31, 2017)]*

As of March 31, 2018 and 2017, the Parent Company has no potential dilutive common shares.

The weighted average number of common shares outstanding used in the calculation of EPS is based on the outstanding shares of the Parent Company. The additional shares from stock dividends during the period, including the unissued stock dividends and stock dividends declared after the reporting period but before the approval of the financial statements, were reflected in the calculation of the EPS as if these shares have been issued in all earlier periods presented.

26. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial instruments such as trade and other receivables, amounts owed by related parties, rental and security deposits and loans to employees (presented as part of other current assets), HTM investments, miscellaneous deposits (presented under other noncurrent assets), trade and other payables, and amounts owed to related parties, which generally arise directly from its operations, as well as financial assets at FVPL and AFS financial assets.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

The main risks arising from the financial instruments of the Group are credit risk, liquidity risk and foreign currency risk. The Group's management reviews and approves policies for managing each of these risks and they are summarized below.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties failed to discharge their contractual obligations.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The table below shows the maximum exposure to credit risk of the Group's financial assets. The maximum exposure is shown net of impairment losses, if any:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash and cash equivalents*	**$14,220,203**	$37,222,487
Trade and other receivables	**23,730,586**	13,035,433
Financial assets at FVPL	**479**	501
Amounts owed by related parties	**61,068,107**	54,901,882
Other current assets:		
Rental deposit	**1,151,572**	1,203,004
Loans to employees	**307,901**	312,451
Security deposit	**182,424**	182,510
HTM investments	**480,563**	480,563
AFS financial asset	**1,667,000**	1,667,000
Other noncurrent assets:		
Miscellaneous deposits	**133,191**	177,591
Loans to employees	**10**	233
Total credit risk exposure	**$102,942,036**	$109,183,655

**Excluding cash on hand as of March 30, 2018 and December 31, 2017amounting to $246 and $250, respectively.*

The aging analyses per class of financial assets that are past due but not yet impaired are as follows:

		March 31, 2018 (Unaudited)					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				**Impaired Financial Assets**	**Total**
		< 30 days	**30-60 days**	**60 - 90 days**	**> 90 days**		
Cash*	$14,220,203	$–	$–	$–	$–	$–	$14,220,203
Trade and other receivables	9,553,903	4,420,256	1,891,086	3,288,850	4,576,491	–	23,730,586
Financial assets at FVPL	479	–	–	–	–	–	479
Amounts owed by related parties	61,068,107	–	–	–	–	–	61,068,107
Other current assets							
Rental deposit	1,151,572	–	–	–	–	–	1,151,572
Security deposit	182,424	–	–	–	–	–	182,424
Loans to employees	307,901	–	–	–	–	–	307,901
HTM investments	480,563	–	–	–	–	–	480,563
AFS financial asset	1,667,000	–	–	–	–	–	1,667,000
Other noncurrent assets							
Loans to employees	10	–	–	–	–	–	10
Miscellaneous deposits	133,191	–	–	–	–	–	133,191
	$88,765,353	$4,420,256	$1,891,086	$3,288,850	$4,576,491	$–	$102,942,036

**Excluding cash on hand amounting to $246.*

	December 31, 2017 (Audited)						
	Neither Past Due nor Impaired	Past Due but not Impaired				Impaired Financial Assets	Total
		< 30 days	30< 60 days	60-90 days	> 90 days		
Cash and cash equivalents*	$37,222,487	$–	$–	$–	$–	$–	$37,222,487
Trade and other receivables	8,935,352	1,213,089	102,510	2,548,579	235,903	241,012	13,276,445
Financial assets at FVPL	501	–	–	–	–	–	501
Amounts owed by related parties	54,901,882	–	–	–	–	–	54,901,882
Other current assets:							
Rental deposit	1,203,004	–	–	–	–	–	1,203,004
Loans to employees	312,451	–	–	–	–	–	312,451
Security deposit	182,510	–	–	–	–	–	182,510
AFS financial asset	1,667,000	–	–	–	–	–	1,667,000
HTM investments	480,563	–	–	–	–	–	480,563
Other noncurrent assets:							
Loans to employees	233	–	–	–	–	–	233
Miscellaneous deposits	177,591	–	–	–	–	–	177,591
	$105,083,574	$1,213,089	$102,510	$2,548,579	$235,903	$241,012	$109,424,667

****Excluding cash on hand amounting to $250.***

The tables below summarize the credit quality per class of the Group's financial assets that are neither past due nor impaired:

March 31, 2018 (Unaudited)

	Neither Past Due nor Impaired			
	High Grade	**Medium Grade**	**Low Grade**	**Total**
Cash*	**$14,220,203**	**$–**	**$–**	**$14,220,203**
Trade and other receivables	**9,553,903**	**–**	**–**	**9,553,903**
Financial assets at FVPL	**479**	**–**	**–**	**479**
Amounts owed by related parties	**–**	**61,068,107**	**–**	**61,068,107**
Other current assets:				
Rental deposit	**1,151,572**	**–**	**–**	**1,151,572**
Loans to employees	**307,901**	**–**	**–**	**307,901**
Security deposit	**182,424**	**–**	**–**	**182,424**
HTM investments	**480,563**	**–**	**–**	**480,563**
AFS financial asset	**–**	**1,667,000**	**–**	**1,667,000**
Other noncurrent assets:				
Loans to employees	**10**	**–**	**–**	**10**
Miscellaneous deposits	**133,191**	**–**	**–**	**133,191**
	$26,030,246	**$62,735,107**	**$–**	**$88,765,353**

****Excluding cash on hand amounting to $246.***

December 31, 2017 (Audited)

	Neither Past Due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents*	$37,222,487	$–	$–	$37,222,487
Trade and other receivables	8,935,352	–	–	8,935,352
Financial assets at FVPL	501	–	–	501
Amounts owed by related parties	–	54,901,882	–	54,901,882
Other current assets:				
Rental deposit	1,203,004	–	–	1,203,004
Loans to employees	312,451	–	–	312,451
Security deposit	182,510	–	–	182,510
HTM investments	480,563	–	–	480,563
AFS financial asset	–	1,667,000	–	1,667,000
Other noncurrent assets:				
Loans to employees	233	–	–	233
Miscellaneous deposits	177,591	–	–	177,591
	$48,514,692	$56,568,882	$–	$105,083,574

****Excluding cash on hand amounting to $250.***

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Medium grade - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay and that have history of sliding beyond the credit terms but pay within 60 days.

Low grade - These are receivables where the counterparty's capability of honoring its financial obligation is doubtful.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties in raising funds to meet commitments from financial instruments. Liquidity risk may result from a counterparty's failure on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Group maintains sufficient cash to finance its operations and major capital expenditures and satisfy its maturing obligations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loansfrom Philippine banks, depending on its financing needs and market conditions.

The tables below summarize the maturity analysis of the Group's financial assets used for liquidity management and financial liabilities based on contractual undiscounted payments:

March 31, 2018
(Unaudited)

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash	$14,220,449	$–	$–	$–	$14,220,449
Trade and other receivables	9,553,903	14,176,683	–	–	23,730,586
Amounts owed by related parties	61,068,107	–	–	–	61,068,107
	$75,288,556	$–	$–	$–	$99,019,142
Financial Liabilities					
Trade and other payables					
Trade payables	$28,623,396	$–	$–	$–	$28,623,396
Accrued expenses*	–	1,236,240	–	–	1,236,240
Short-term loans	–	71,492	–	–	71,492
Amounts owed to related parties	497,172	–	–	–	497,172
Long-term debts**		6,871,416	10,418,385	23,467,500	40,757,301
	$29,120,568	$8,179,148	$10,418,385	$23,467,500	$71,185,601

**Excluding statutory liabilities*
***Includes future interest payments*

December 31, 2017
(Audited)

	On demand	Less than 1 year	1 to 2 years	> 2 to 5 years	Total
Financial Assets					
Cash and cash equivalents	$37,222,737	$–	$–	$–	$37,222,737
Trade and other receivables	8,935,352	4,100,081	–	–	13,035,433
Amounts owed by related parties	54,901,882	–	–	–	54,901,882
	$101,059,971	$4,100,081	$–	$–	$105,160,052
Financial Liabilities					
Trade and other payables					
Trade payables	$30,631,478	$–	$–	$–	$30,631,478
Accrued expenses	–	3,758,037	–	–	3,758,037
Short-term loans*	–	65,133,176	–	–	65,133,176
Amounts owed to related parties	543,203	–	–	–	543,203
Long-term debts*	–	5,421,181	18,987,590	16,009,000	40,417,771
	$31,174,681	$74,312,394	$18,987,590	$16,009,000	$140,483,665

**Includes future interest payments*

Foreign currency risk

The Group uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements, primarily in Philippine Peso currency. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-US dollar currencies.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure, which pertains to its equity as shown in the balance sheet, and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes in 2018 and 2017.

The Company considers the following as capital:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Common stock	**$9,594,321**	$9,594,321
Preferred stock	**2,615,995**	2,037,113
Additional paid-in capital	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income	**196,292**	196,292
Retained earnings	**21,727,479**	25,819,024
	$138,633,960	$142,146,623

As of March 31, 2018, the Group is subject to externally imposed capital requirements. As of March 31, 2018, the Group was able to meet its capital requirements and management objectives.

27. Fair Value Measurement

As of March 31, 2018 and December 31, 2017, the carrying values of the Group's financial assets and liabilities approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables, short-term loans, amounts owed by and owed to related parties and deposits
The carrying amounts approximate fair value since these are mostly short-term in nature or due and demandable.

Financial assets at FVPL - UITF
The investments in Unit Investment Trust Fund classified as financial asset at FVPL are stated at their fair value based on lowest level input (Level 2).

HTM Investments
The fair value of HTM investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices, at the close of business on the reporting date or last trading day as applicable (Level 1).

Miscellaneous deposits
The miscellaneous deposits are carried at cost since the timing and related amounts of future cash flows cannot be reasonably and reliably estimated for purposes of establishing its fair value using an alternative valuation technique.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discounts rates used range from 4.74% and 4.01% to 4.29% in 2018 and 2017, respectively (Level 3).

Fair Value Hierarchy
The Group held the following financial assets and liabilities measured at fair value orat cost, but for which fair values are disclosed and their corresponding level in fair value hierarchy:

	March 31, 2018 (Unaudited)			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Financial assets at FVPL	$479	$–	$479	$–
Financial assets and liabilities measured at amortized cost but for which fair values are disclosed				
HTM investments	480,563	480,463	–	–
Long-term debt	37,094,556	–	–	37,094,556

	December 31, 2017 (Audited)			
	Total	Level 1	Level 2	Level 3
Financial asset measured at fair value				
Financial asset at FVPL	$501	$–	$501	$–
Financial asset and liability measured at amortized cost but for which fair values are disclosed				
HTM investments	480,563	480,563	–	–
Long-term debt	38,210,093	–	–	38,210,093

As at March 31, 2018 and December 31, 2017, there were no transfers between Level 1 and 2 fair value measurements.

28. Equity

a. Common Shares

The depreciation of the capital stock of the Parent Company follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Number of shares		
Authorized - common shares (₱1.00 par value)	**520,000,000**	520,000,000
Issued		
Beginning and end of year	**419,063,353**	419,063,353
Amount		
Issued - 419,063,353 shares	**$9,594,321**	$9,594,321

On November 18, 2011, the Parent Company listed with the PSE its common stock, wherein it offered 42,163,000 shares to the public at issue price of ₱7 per share. The total proceeds with issuance of new shares amounted to ₱295.1 million ($6.8 million). The Parent Company incurred transaction costs incidental to the IPO amounting to ₱47.3 million ($1.1 million), which was charged against "Additional paid-in capital" in the 2011 consolidated balance sheets. As of December 31, 2011, the Parent Company's has 162,163,000 issued common shares.

On May 25, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved and ratified the stock dividend payable to stockholders as of record as of June 8, 2012, to be distributed on June 29, 2012.

On September 14, 2012, the BOD declared a twenty percent (20%) stock dividend to stockholders of record as of December 21, 2012, to be distributed on January 10, 2013. On December 7, 2012, the stockholders approved the twenty percent (20%) stock dividend.

On January 16, 2013, the BOD declared a twenty percent (20%) stock dividend to stockholders. On the same date, the stockholders approved the stock dividend payable to stockholders of record as of March 15, 2013, to be distributed on April 5, 2013.

On January 29, 2014, the BOD also declared a ten (10%) stock dividend. During the special stockholders meeting on July 11, 2014, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of July 25, 2014,to be distributed on August 20, 2014.

On March 24, 2015, the BOD also declared a ten (10%) stock dividend. On May 12, 2015, the shareholders approved and ratified the declaration of 10% stock dividend payable to stockholders of record as of May 26, 2015, to be distributed on June 18, 2015.

On March 24, 2015, the Parent Company's BOD, by majority vote, and shareholders representing two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱160,000,000 or from ₱400,000,000 divided into 400,000,000 common shares with a par value of ₱1.00 per share, to ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share.

The BOD also authorized the Parent Company to offer 120,000,000 shares for sale or subscription through a follow-on offering (FOO).

On July 22, 2015, the Philippine SEC approved the Company's application to increase its authorized capital stock.

On November 4, 2015, the Parent Company's FOO was completed. The Parent Company issued 80,000,000 new shares at issue price of ₱20 per share for a total amount of $34.2 million. The Parent Company incurred transactions costs incidental to FOO amounting to $1.2 million which was charged against "Additional paid-in capital" in the 2015 consolidated balance sheet.

On October 24, 2016, the Parent Company's BOD approved by majority vote the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock by ₱1,440,000,000 or from ₱560,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share ("Preferred A" shares), to ₱860,000,000 divided into 520,000,000 common shares with a par value of ₱1.00 per share and 700,000,000 preferred shares classified into "Preferred A shares" with a par value of ₱0.10 per share, and ₱270,000,000 worth of new preferred shares classified into "Preferred B shares" with par value ₱1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Parent Company's BOD. On the same date, the Parent Company's BOD, by majority vote, approved the declaration of ten percent (10%) stock dividend for each of the 419,063,353 issued and fully paid common shares, and 400,000,000 issued and fully paid preferred shares of the Corporation. To date the shareholders have not approved and ratified the said declaration.

On May 26, 2017, the Parent Company's shareholders representing at least two-thirds of the outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Parent Company's authorized capital stock as endorsed by the BOD. The shareholders also approved a resolution to delegate to the BOD the power and authority to: (i) determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Parent Company will be implemented; and (ii) the manner by which the increase in the authorized capital stock will be subscribed and paid for, such as, but not limited to, a private placement transaction or public offering. The BOD was also granted authority to issue in one or more series the new preferred shares and to determine the preferences, convertibility, voting rights, features and other terms and conditions for each such series of the new preferred shares.

The Parent Company's application to increase its authorized capital stock, which was approved by Philippine SEC on September 29, 2017, did not include increase on authorized capital stock on common shares.

Parent Company Shares Held by a Subsidiary

On December 23, 2016, CEC acquired a total of 102,018,659 common shares of the Parent Company for ₱2.3 billion ($49.7 million). The shares purchased were recorded at cost and deducted from equity in the consolidated balance sheet.

In 2017, CEC sold 96,972,537 common shares for ₱47.0 million. The difference between the proceeds from the sale of shares held by CEC and the cost of these shares amounting to $0.1 million was offset against "Equity reserve" account.

As of March 31, 2018 and December 31, 2017, the Parent Company has a total number of 25 stockholders.

b. Preferred Shares

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Number of shares		
Authorized		
Preferred shares A (₱0.10 par value)	**700,000,000**	700,000,000
Preferred shares B-1 (₱1.00 par value)	**70,000,000**	70,000,000
Preferred shares B-2 (₱1.00 par value)	**200,000,000**	200,000,000
Issued and Subscribed		
Preferred A shares	**700,000,000**	700,000,000
Preferred B-1 shares	**70,000,000**	70,000,000
Preferred B-2 shares	**67,000,000**	67,000,000
Amount		
Preferred A shares - (net of subscriptions receivable amounting to $1,103,944 as of March 31, 2018 and December 31, 2017)	**$946,863**	$367,981
Preferred B-1 shares - (net of subscriptions March 31, 2018)	**342,399**	342,399
Preferred B-2shares	**1,326,733**	1,326,733

In 2015, the 400,000,000 preferred shares at par value of ₱0.10 were subscribed by Camerton, a principal shareholder of the Parent Company.

On September 8, 2017, the Parent Company's BOD, by majority vote, approved the amendment in the Company's articles of incorporation to increase the Company's authorized capital stock by ₱300,000,000, or:

a) from ₱560,000,000, consisting of:

   i. ₱520,000,000 worth of common shares divided into 520,000,000 common shares with par value of ₱1.00 per share; and
   ii. ₱40,000,000 worth of preferred shares divided into 40,000,000 Preferred A shares with par value of ₱0.10 per share,

b) to ₱860,000,000, consisting of:

   i. ₱520,000,000 worth of common shares divided in to 520,000,000 common shares with par value of ₱1.00 per share;
   ii. ₱70,000,000worth of preferred A shares divided into 700,000,000 preferred A shares with par value of ₱0.10 per share; and
   iii. ₱270,000,000 worth of preferred B shares with par value of ₱1.00 per share. The preferred B shares are further classified into the following series: (a) ₱70,000,000 worth of preferred B-1 shares, and (b) ₱200,000,000 worth of preferred B-2 shares, both having a par value of ₱1.00 per share.

On the same date, the additional 300,000,000 preferred A shares and 70,000,000 preferred B-1 shares shall be issued to and subscribed by Camerton at their par value of ₱0.10 per share and ₱1.00 per share, respectively. The Parent Company recognized preferred stock and additional paid-in capital amounting to $0.1 million and $0.3 million, respectively, net of subscriptions receivable. Preferred B-1 shares are not listed in the PSE.

On September 29, 2017, the Philippine SEC approved the Company's application for the increase in authorized capital stock.

The features of the preferred A shares are (i) full voting rights, one vote for each share; (ii) preferred non-cumulative cash dividends at the rate of 1% of their par value per year, with no participation in further cash dividends which may be declared and paid to the common shares or any other class or series of shares; and (iii) the same stock dividends which may be declared and paid to the common shares or any other class or series of shares.

On September 15, 2017 and November 9, 2017, the Parent Company BOD approved the following features, rights and privileges of preferred B-2 shares:

a. Non-voting;
b. Preferred, cumulative cash dividends of up to 6.125% of the issue price per year, at the discretion of the Parent Company's BOD, with no participation in further cash dividends which may be declared and paid to the common shares, provided that, other than the basis being their respective issue prices, the cash dividend rate for preferred B-1 shares and preferred B-2 shares shall be paid before any cash dividends are paid to holders of common shares and preferred A shares;
c. The same stock dividends which may be declared and paid to the common shares;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine;

e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares and preferred B-2 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares.

On October 23, 2017 and November 9, 2017, the Parent Company BOD approved the following features, rights and privileges of preferred B-1 shares:

a. Non-voting;
b. Preferred, cumulative, non-participating, non-convertible;
c. Entitled to cash dividends of up to 6.125% of the issue price per year, with no participation in further cash dividends which may be declared and paid to the common shares, and with no entitlement to any stock or property dividends;
d. As and if approved by the Parent Company BOD, redeemable in whole and not in part, at the sole option of the Parent Company at a price and at such time that the Parent Company BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Parent Company is unable to redeem the preferred B-1 shares on the 5th anniversary of their issuance;
e. In the event of change in control event where any person or persons acting in concert or any third person or persons acting on behalf of such person(s) at any time acquire(s) directly or indirectly a controlling participation in the Parent Company pursuant to the Philippine Laws, the dividend rate shall be increased by 4% commencing and including the day falling 180 days after the day on which a change in control event has occurred;
f. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Parent Company, the holders of preferred B-1 shares that are outstanding at that time shall enjoy preference in the payment in full or, if the remaining assets of the Parent Company are insufficient, on a pro-rata basis as among all holders of outstanding preferred B-1 shares and preferred B-2 shares, of the issue price of their shares plus any previously declared and unpaid dividends before any asset of the Parent Company is paid or distributed to the holders of other classes of shares; and
g. Holders of preferred B-1 shares shall have no pre-emptive rights to subscribe to any class of shares (including, without limitation, treasury shares) that will be issued or sold by the issuer.

On November 8, 2017, the PSE BOD approved the public offering of up to $200,000,000 preferred B-2 shares. A total of 140,000,000 preferred B-2 shares were offered to the public during the offer period.

On November 29, 2017, the Parent Company's public offering was completed. The Parent Company issued 67,000,000 preferred B-2 shares with par value of ₱1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Parent Company recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively. The Parent Company incurred transaction costs incidental to FOO amounting to $1.1 million which was charged against "Additional paid-in capital" in 2017 consolidated balance sheet.

As of December 31, 2017, unpaid stock issue costs amounted to $324,866recorded under "Accrued expenses and other payables" account.

On December 8, 2017, the Parent Company listed with the PSE its 67,000,000 preferred B-2 shares. As of December 31, 2017, the Parent Company has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to $349,073.

c. Retained Earnings

On January 28, 2016, the Parent Company's BOD approved the declaration of cash dividends of $0.0050 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $2,100,000, for payment and distribution on February 29, 2016 to shareholders of record of February 12, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On June 9, 2016, the Parent Company's BOD approved the declaration of cash dividends of $0.00362 per share for each of 419,063,353 fully paid and issued common shares and $0.000001 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,520,000, for payment and distribution on July 7, 2016 to shareholders of record of June 23, 2016. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 23, 2017 the Parent Company's BOD approved the declaration of cash dividends of $0.00432 per share for each of 419,063,353 fully paid and issued common shares and $0.000021 per share for each of the 400,000,000 outstanding preferred shares, amounting to an aggregate sum of $1,820,000, for payment and distribution on February 22, 2017 to shareholders of record of February 6, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 15, 2017 the Parent Company's BOD approved the declaration of cash dividends of $0.004629 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $1,940,000, for payment and distribution on October 6, 2017 to shareholders of record of September 29, 2017. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 2, 2018, the Parent Company's BOD approved the declaration of cash dividends of $0.004609 per share for each of 419,063,353 fully paid and issued common shares and $0.000012 per share for each of the 700,000,000 outstanding preferred A shares, amounting to an aggregate sum of $1,940,000, for payment and distribution on February 21, 2018 to shareholders of record of February 19, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On February 27, 2018, the Parent Company's BOD approved the declaration of cash dividend of ₱0.015313 per share for each of the outstanding and issued preferred B-1 shares amounting to an aggregate sum of ₱1,071,875 ($20,601), for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Parent Company's stockholders, unless received as cash dividends from the subsidiaries.

29. Commitments

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

Outsourcing Manufacturing Agreement (OMA)
On July 30, 2014, CATS entered into an OMA (herein referred to as the "Agreement") with REMEC in conjunction with the Share Purchase Agreement (SPA) entered into between CEIC and REMEC. CATS will perform manufacturing services to REMEC in accordance with the production files and specifications as provided in the Agreement. The contract term is for ten (10) years with automatic renewal of additional one (1) year period. All payments to CATS shall be made in US Dollars and shall be paid sixty (60) days after the receipt of the invoice.

Master Service Agreement (MSA)
CATS entered into an MSA with REMEC on July 30, 2014 where CATS will provide to REMEC the services of selected employees and consultants (or "Business Services") of CATS. CATS shall be responsible for and shall timely pay any and all compensation and benefits payable to the employees of and consultants of CATS who perform Business Services. MSA has a ten (10) year term with automatic renewal of additional one year period.

30. Event After the Reporting Period

On April 11, 2018, the Parent Company's BOD authorized the Parent Company to enter into Notes Facility Agreement with BPI and RCBC, whereby the short-term loans totaling to \$40.0 million was converted into long-term credit facility.

Management's Discussion and Analysis of Financial Conditions

Results of Operations

The Company's Consolidated Net Sales, Gross Profit, Net Income, EBITDA and EPS are provided in the following table:

	For the Three Months Ended March 31	
In US$ Thousand except EPS	**2018 (Unaudited)**	2017 (Unaudited)
NET SALES	**$25,860**	$16,941
COST OF SALES	**(18,057)**	(13,712)
GROSS PROFIT	**7,803**	3,229
NET INCOME	**1,943**	1,704
Basic/Diluted EPS	**$0.002**	$0.004
EBITDA	**$4,528**	$3,012

For the three-month period ending March 31, 2018 compared to the three-month period ending March 31, 2017

Revenue

The Company achieved a new record quarter of consolidated revenues with US$25.9 million for the three months ending March 31, 2018, an increase of 53% from US$16.9 million for the same period in 2017. The increase was accounted for by the 3-month revenue contribution of Quintel, a US-based product and R&D company acquired in August 2017, and growth in semiconductor sales.
Revenue contribution from Quintel for the three month period ending March 31, 2018 amounted to US$14.7 million. In August 2017, the Company acquired 100% of Quintel, a US-based developer of leading-edge base station antennas used for cellular wireless networks.

Revenues from the RF/MW/mmW and antenna manufacturing business before consolidation for the three months ending March 31, 2018 amounted to US$12.2 million, a 53% increase compared to the US$8 million for same period in 2017. After elimination of intercompany sales during consolidation, revenues to external customers amounted to US$1.8 million

Revenues from the semiconductor business amounted to US$9.4 million compared to US$8.9 million for the same period in 2017, a 6% increase.

Cost of Sales and Gross Margin

The Company's cost of sales (COS) is composed of: raw materials, spare parts, supplies; direct salaries, wages and employees' benefits; depreciation and amortization; utility expenses directly attributable to production, freight and duties; and others. The Company's cost of sales increased by 32% to US$18.1 million for the three months ending March 31, 2018 from US$13.7 million for the same period in 2017. The increase was mainly due to a rise in raw materials expenses as a result of higher sales, higher salaries and wages, depreciation, utilities and increase in inward freight and duties.

- Raw materials, spare parts, supplies and other inventories used grew by 30% to US$11.6 million for the three months ending March 31, 2018 from US$8,9 million for the same period in 2017.
- Salaries, wages and employees' benefits increased by 26% to US$3.3 million for the three months ending March 31, 2018, from US$2.6 million for the same period in 2017.
- Depreciation and amortization increased by 72% to US$1.3 million for the three months ending March 31, 2018, from US$727 thousand for the same period in 2017.
-
- Freight and duties increased by 60% to US$712 thousand for the three months ending March 31, 2018 from US$444 thousand for the same period in 2017.
- Utility expenses amounted to US$1.1 million for the three months ending March 31, 2018, from US$947 thousand for the same period in 2017, an increase of 13%
-

The Company's gross margin was 30% for the three months ending March 31, 2017, 11% higher than the gross margin recorded for the same period in 2017.

Operating Expenses

The Company's operating expenses for the three months ending March 31, 2018 amounted to US$4.3 million, 344% higher compared to the US$975 thousand recorded during the same period in 2017.

Income Before Income Tax

For the three months ending March 31, 2018, the Company recorded a net income before income tax of US$2 million, an increase of 15%compared with US$1.7 million recorded for the same period in 2017.

Provision for / Benefit from Income Tax

Provision for income tax for the three months ending March 31, 2018 amounted to US$96 thousand compared with a provision for income tax of US$534 thousand for the same period in 2016.

Net Income After Tax

The Company's net income after tax for the three months ending March 31, 2017 amounted to US$4.3 million, a decrease of 44% compared with US$7.6 million for the same period in 2016.

Total Comprehensive Income

The Company's total comprehensive income for the three months ending March 31, 2018 amounted to US$1.9 million, compared to US$1.7million for the same period in 2017, a 14% decrease.

Financial Condition

For the three-month period ending March 31, 2018 compared to the period ending December 31, 2017

Assets

The Company's cash and cash equivalent for the three months ending March 31, 2018 amounted to US$14.2 million, compared with US$37 million for the period ending December 31, 2017, a decrease of US$23 million or 62%.

Trade and other receivables for the three months ending March 31, 2018 amounted to US$23.7 million, compared with US$13 million for the period ending December 31, 2017, an 82% decrease.

Inventory levels for the three months ending March 31, 2018 amounted to US$43.2 million, 11% higher compared with US$39 million for the period ending December 31, 2016.

Amounts owed by related parties for the three months ending March 31, 2918 amounted to US$61.1 million compared to US$55 million for the period ending December 3, 2017, an 11% increase.

Non-current assets held for sale pertain to the Company's Carmelray property which is being actively marketed for sale.

Non-current assets, comprised of Available-for-sale (AFS) financial asset, HTM investments, property, plant and equipment (PPE), intangible assets, deferred income taxes and other noncurrent assets for the three months ending March 31, 2018 amounted to US$130.7 million compared with US$128.9 million for the period ending December 31, 2017, an increase of 1%.

Liabilities

The Company's current liabilities is comprised of trade and other payables, short-term loans, long-term debt – current portion, amounts owed to related parties, and income tax payable. For the three months ending March 31, 2018, current liabilities were at US$109 million, same as in the period ending December 31, 2017.

For the three months ending March 31, 2018, the Company's non-current liabilities, comprised of long-term debt – net of current portion, retirement benefit obligation, and deferred income tax liability amounted to US$38.8 compared with US$38.3 for the period ending December 31, 2017 million, a 1% increase.

Equity

The Company's shareholders' equity for the three months ending March 31, 2018 amounted to US$139.2 million compared with US$139.7 million for the period ending December 31, 2017, a decline of 0.3%.

Liquidity and Capital Resources

For the three months ending March 31, 2018, the Company's principal sources of liquidity was cash from sales of its products, bank credit facilities, proceeds from its corporate notes issuances, and proceeds from its follow-on offering. The Company expects to meet its working capital, capital expenditure, dividend payment and investment requirements for the next 12 months primarily from the proceeds of the Company's follow-on offering, proceeds of the Company's corporate notes issuances, short-term credit facilities and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

For the next 12 months, the Company plans to increase its production further by increasing volume deliveries to existing customers, entering into new production agreements, and expanding its customer base through new product introduction and aggressive sales and marketing activities.

The following table sets out the Company's cash flows for the three months ending March 31, 2108 and the same period in 2017.

In US$ Thousands	**For the three months ending March 31**	
	2018	**2017**
Net cash flows provided by/ (used for) operating activities	(14,799)	(4,008)
Net cash flows provided by/ (used for) investing activities	(3,122)	(1,056)
Net cash flows provided by/ (used for) financing activities	(5,080)	(8,056,842)
Net increase (decrease) in cash equivalents	(23,002)	2,993

Net Cash Flows from Operating Activities

Net cash outflow from used by operating activities was US$14.8 million for the three months ending March 31,2018, compared with US$4 million for the same period in 2017.

For the three months ending March 31, 2018, net income before tax was US$2 million. After adjustments for depreciation, interest income/expense, operating net unrealized foreign exchange gains, income before change in working capital was US$4.5 million. Changes in working capital , interest received and income taxes resulted in a net cash flow from operating activities of US$14.8 million. This was mainly due to increase in accounts receivables, increase in inventories, and decrease in accounts payables.

Investing Activities

Net cash outflow from investing activities amounted to US$3.1 million for the three months ending March 31, 2018. Investing activities mainly involved increase in PPA and increase in non-current assets.

Financing Activities

Net cash flow used in from financing activities for the three months ending March 31, 2018 amounted to US$5.1 million. Major financing activities involved proceeds from availment of short-term loans, s less payment of cash dividends, payment interest, payment of short-term and long-term loans, and net movement in amounts owed by and owed to related parties. For the same period in 2016 net cash flow financing activities amounted to US$8.1 million.

Material Changes to the Company's Unaudited Income Statement as of March 31, 2018 compared to the Unaudited Income Statement as of March 31, 2017 (increase/decrease of 5% or more)

- 53% increase in net sales
  Sales growth for all operating segments

- 32% increase in cost of sales
  Increase in net sales

- 344% increase in operating expenses
  Higher operating expenses to support expansion of operations and consolidation of operating expenses of Quintel

- 15% increase in Income Before income Tax
  Higher sales, and higher gross margins

- 185% increase in Provision for Income Tax
  Higher sales

- 14% increase in Net Income After Tax
  Higher sales and higher gross margins

Material Changes to the Company's Unaudited Balance Sheet as of March 31, 2018 compared to the Unaudited Balance Sheet as of March 31, 2017 (increase/decrease of 5% or more)

- 62% increase in Cash and Cash Equivalent
  Increase in working capital requirements, net cash outflow from investing activities. Net cash outflow from financing activities

- 88% in Trade and Other Receivables – Net
  Longer collection period for certain major customers

- 11% increase in Inventories
  Longer lead times for certain raw materials and high level of FG inventory in Quintel

- 11% increase in Amounts Owed by Related Parties

- 110% increase in Other Non-current Assets
  Increase in advances to suppliers and investment in associate

- 12% decrease in Trade and Other Payables
  Payments to trade suppliers

- 10% Increase in Short-term Loans
  Additional availment of short-term credit facilities used for working capital

- 31% decrease in Current Portion of Long-term Debt

- 40% Increase in Income Tax Payable

KEY PERFORMANCE INDICATORS

The Company's top five (5) key performance indicators are listed below:

Amounts in thousand US$, except ratios, and where indicated		**2016**	**2017**		**2018 Three months**
EBITDA		11,862	10,697		4,528
EBITDA Margin		16%	12%		17.5%
Sales Growth		25%	19%		53%
Current Ratio (x)		1.5x	1.45x		1.43x
Earnings per share (US$)		0.018	0.009		0.002

Note:
**Earnings per Share was calculated using CHPC's average outstanding common shares for the years 2016 and 2017*
****Earning per share was calculated less dividends for preferred shares which has a fixed amount per quarter*

- *EBITDA and EBITDA Margin*

Earnings before interest, tax, depreciation and amortization (EBITDA) provides an indication of the rate of earnings growth achieved.

The EBITDA margin shows earnings before interest, tax, depreciation and amortization as a percentage of revenue. It is a measure of how efficiently revenue is converted into EBITDA.

EBITDA and EBITDAR Margin are not measures of performance under PFRS, and investors should not consider EBITDA and EBITDA Margin in isolation or as alternatives to net income as an indicator of our Company's operating performance or to cash flow from operating, investing and financing activities as a measure of liquidity, or any other measures of performance under PFRS. Because there are various EBITDA and EBITDA Margin calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

The following table sets out the Company's EBITDA after consolidation entries.

	For the years ended December 31		**For Three Months Ended March 31**
In US$ 000	**2016**	**2017**	**2018**
Net income	7,608	4,296	1,943
Add back:			
Interest expense/income-net	995	3,320	1,169
Provision for / Benefit from income tax	547	-889	59
Depreciation and amortization	2,712	3,970	1,357
EBITDA	**11,862**	**10,697**	**4,528**

The table sets forth a reconciliation of the Company's consolidated EBITDA to consolidated net income.

In US$ 000	For the years ended December 31 2016	2017	For Three Months Ended March 31 2018
EBITDA	11,862	10,697	4,528
Deduct:			
Interest expense/income-net	995	3,320	1,169
Provision for / Benefit from income tax	547	-889	59
Depreciation and amortization	2,712	3,970	1,357
Net Income	**7,608**	**4,296**	**1,943**

- *Sales growth*

  Sales growth is a key indicator of the Company's ability to grow the business

- *Current ratio*

  Current ratio measures a company's short-term liquidity, i.e. its ability to pay its debts that are due within the next 12 months. It is expressed as the ratio between current assets and current liabilities.

- *Earnings per share*

  Earnings per share show the Company's attributable profit earned per common share. At constant outstanding number of shares, as the Company's earnings increase, the earnings per share correspondingly increase.

FINANCIAL RISK DISCLOSURE

The Company is not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation.

The Company does not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

The Company has allocated up to US$8 Million for capital expenditure for full year 2018, from the proceeds of the Company's Follow-on Offering and cash flows from operations. It may also from time to time seek other sources of funding, which may include debt or equity financings, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

The Company is not aware of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS

MARCH 31, 2018 AND DECEMBER 31, 2017

Ratios	Formula	March 31, 2018	December 31, 2017
(i) Current Ratio	Current Assets/Current Liabilities	**1.43**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.77**	0.73
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.67**	0.46
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.06**	2.06
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**3.80**	3.17
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.17**	0.21
Net Profit Margin	Net Income/Revenues	**0.04**	0.05
EBITDA Margin	EBITDA/Revenues	**0.18**	0.12
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.01
Return on Equity	Net Income/Total Equity[3]	**0.01**	0.03

[1] Sum of short-term loans and long-term debts

[2] EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

[3] Based on balances as at March 31, 2018 and December 31, 2017

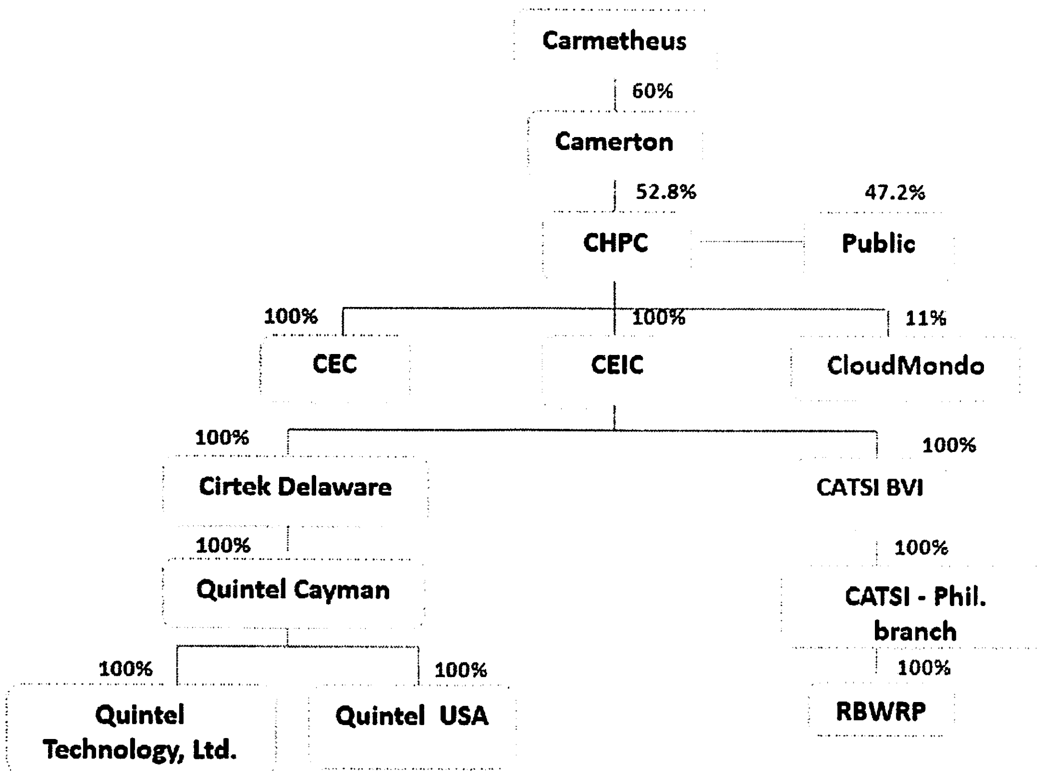
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

AS OF AND FOR THE FIRST QUARTER ENDED MARCH 31, 2018

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES
MARCH 31, 2018



CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		3		
PFRS Practice Statement Management Commentary				3
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	3		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			3
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			3
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			3
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			3
	Amendments to PFRS 1: Government Loans			3
	Amendment to PFRS 1: Meaning of Effective PFRSs			3
PFRS 2	Share-based Payment			3
	Amendments to PFRS 2: Vesting Conditions and Cancellations			3
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			3
	Amendment to PFRS 2: Definition of Vesting Condition			3
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			3
PFRS 3 (Revised)	Business Combinations	3		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			3
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			3
PFRS 4	Insurance Contracts			3
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			3
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*			3

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	3		
	Amendment to PFRS 5: Changes in Methods of Disposal			3
PFRS 6	Exploration for and Evaluation of Mineral Resources			3
PFRS 7	Financial Instruments: Disclosures	3		
	Amendments to PFRS 7: Transition	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	3		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	3		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	3		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	3		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	3		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	3		
	Amendment to PFRS 7: Servicing Contracts			3
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			3
PFRS 8	Operating Segments	3		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	3		
PFRS 9	Financial Instruments*		3	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		3	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*		3	
PFRS 10	Consolidated Financial Statements	3		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception	3		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			3
PFRS 11	Joint Arrangements			3
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			3

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	3		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			3
	Amendment to PFRS 12, Clarification of the Scope of the Standard			3
PFRS 13	Fair Value Measurement	3		
	Amendment to PFRS 13: Short-term Receivables and Payables	3		
	Amendment to PFRS 13: Portfolio Exception	3		
PFRS 14	Regulatory Deferral Accounts			3
PFRS 15	Revenue from Contracts with Customers*		3	
PFRS 16	Leases*		3	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	3		
	Amendment to PAS 1: Capital Disclosures	3		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			3
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	3		
	Amendments to PAS 1: Disclosure Initiative	3		
PAS 2	Inventories	3		
PAS 7	Statement of Cash Flows	3		
	Amendments to PAS 7: Disclosure Initiative	3		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	3		
PAS 10	Events after the Reporting Period	3		
PAS 11	Construction Contracts			3
PAS 12	Income Taxes	3		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	3		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			3
PAS 16	Property, Plant and Equipment	3		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			3
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			3
	Amendments to PAS 16: Bearer Plants			3

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 17	Leases	3		
PAS 18	Revenue	3		
PAS 19 (Amended)	Employee Benefits	3		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution	3		
	Amendments to PAS 19: Regional market issue regarding discount rate			3
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			3
PAS 21	The Effects of Changes in Foreign Exchange Rates	3		
	Amendment to PAS 21: Net Investment in a Foreign Operation			3
PAS 23 (Revised)	Borrowing Costs	3		
PAS 24 (Revised)	Related Party Disclosures	3		
	Amendments to PAS 24: Key Management Personnel	3		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			3
PAS 27 (Amended)	Separate Financial Statements			3
	Amendments to PAS 27: Equity Method in Separate Financial Statements			3
PAS 28 (Amended)	Investments in Associates and Joint Ventures			3
	Amendments to PAS 28: Investment Entities			3
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			3
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*			3
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			3
PAS 29	Financial Reporting in Hyperinflationary Economies			3
PAS 32	Financial Instruments: Disclosure and Presentation	3		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	3		
	Amendment to PAS 32: Classification of Rights Issues	3		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	3		
PAS 33	Earnings per Share	3		
PAS 34	Interim Financial Reporting	3		
	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'			3

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	3		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	3		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	3		
PAS 38	Intangible Assets	3		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			3
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	3		
PAS 39	Financial Instruments: Recognition and Measurement	3		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	3		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			3
	Amendments to PAS 39: The Fair Value Option			3
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			3
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			3
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			3
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			3
	Amendment to PAS 39: Eligible Hedged Items			3
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			3
PAS 40	Investment Property			3
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			3
	Amendments to PAS 40: Transfers of Investment Property*			3
PAS 41	Agriculture			3
	Amendments to PAS 41: Bearer Plants			3

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			3
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			3
IFRIC 4	Determining Whether an Arrangement Contains a Lease	3		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			3
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			3
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			3
IFRIC 9	Reassessment of Embedded Derivatives			3
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			3
IFRIC 10	Interim Financial Reporting and Impairment			3
IFRIC 12	Service Concession Arrangements			3
IFRIC 13	Customer Loyalty Programmes			3
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			3
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			3
IFRIC 15	Agreements for the Construction of Real Estate			3
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			3
IFRIC 17	Distributions of Non-cash Assets to Owners			3
IFRIC 18	Transfers of Assets from Customers			3
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			3
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			3
IFRIC 21	Levies	3		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		3	
IFRIC 23	Uncertainty over Income Tax Treatments*		3	
SIC-7	Introduction of the Euro			3
SIC-10	Government Assistance - No Specific Relation to Operating Activities			3
SIC-15	Operating Leases - Incentives			3
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	3		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			3
SIC-29	Service Concession Arrangements: Disclosures			3
SIC-31	Revenue - Barter Transactions Involving Advertising Services			3
SIC-32	Intangible Assets - Web Site Costs			3

CIRTEK HOLDINGS PHILIPPINES CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2018

Unappropriated retained earnings, beginning	$407,956
Add net income actually earned during the period	2,681,307
Less cash dividends declared	(2,986,539)
Retained earnings available for dividend declaration	**$102,724**

CIRTEK HOLDINGS PHILIPPINES CORPORATION

FINANCIAL SOUNDNESS INDICATORS
MARCH 31, 2018 AND DECEMBER 31, 2017

Ratios	**Formula**	**March 31, 2018**	December 31, 2017
(i) Current Ratio	Current Assets/Current Liabilities	**1.43**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**0.77**	0.73
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.67**	0.46
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.06**	2.06
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**3.80**	3.17
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.17**	0.21
Net Profit Margin	Net Income/Revenues	**0.04**	0.05
EBITDA Margin	EBITDA/Revenues	**0.10**	0.12
Return on Assets	Net Income/Total Assets[3]	**0.01**	0.01
Return on Equity	Net Income/Total Equity[3]	**0.01**	0.03

[1] Sum of short-term loans and long-term debts

[2] EBITDA is calculated as income before income tax plus depreciation and amortization and financial income (expense).

[3] Based on balances as at March 31, 2018 and December 31, 2017

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS

AS OF AND FOR THE FIRST QUARTER ENDED MARCH 31, 2018

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash	N/A	$14,220,449	$14,220,449	$29,020
Trade and other receivables	N/A	23,730,586	23,730,586	–
Financial asset at fair value through profit or loss	N/A	479	479	–
Amounts owed by related parties	N/A	61,137,778	61,137,778	–
Other current assets				
Rental deposit	N/A	1,151,572	1,151,572	–
Security deposit	N/A	182,424	182,424	
Loan to employees	N/A	307,901	307,901	–
HTM investments	N/A	480,563	480,563	–
AFS financial asset	N/A	1,667,000	1,667,000	–
Other noncurrent assets:				
Miscellaneous deposits	N/A	133,191	133,191	–
		$103,011,943	$103,011,943	$29,020

SCHEDULE B

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

AS OF AND FOR THE FIRST QUARTER ENDED MARCH 31, 2018

Amounts Receivable from Officers, Employees and Related Parties under Trade and Other Receivables

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holdings Philippines Corporation from:						
Jerry Liu (Chairman)	$24,705,180	$–	$–	$24,705,180	$–	$24,705,180
Cirtek Electronics Corporation from:						
Jerry Liu (Chairman)	4,522,178	–	–	4,522,178	–	4,522,178
	$29,227,358	$–	$–	$29,227,358	$–	$29,227,358

Amounts owed by Related Parties

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Cirtek Holdings Philippines Corporation from:						
Cirtek Holdings, Inc.	$1,809,256	$–	$–	$1,809,256	$–	$1,809,256
Cirtek Electronics Corporation from:						
Camerton, Inc.	4,589,168	20	–	4,589,188	–	4,589,188
Cayon Holdings, Inc.	214,227	13	–	214,240	–	214,240
Total	4,803,395	33	–	4,803,428	–	4,803,428
TOTAL	$6,612,651	$33	$–	$6,612,684	$–	$6,612,684

SCHEDULE C

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS OF AND FOR THE FIRST QUARTER ENDED MARCH 31, 2018

Receivables from related parties which are eliminated during the consolidation (under Trade and Other Receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
Quintel	$21,329,466	$–	$–	$–	$21,329,466	$–	$21,329,466

Amounts owed by related parties which are eliminated during the consolidation

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Not current	Balance at end of period
Cirtek Holdings Philippines Corporation from:							
CEC	$81,335,790	$–	$–	$–	$81,335,790	$–	$81,335,790
CEIC	9,000,000	–	–	–	9,000,000	–	9,000,000
Total	90,335,790	–	–	–	90,335,790	–	90,335,790
Cirtek Electronics Corporation from:							
CHPC	47,235,575	1,146,160	–	–	48,381,735	–	48,381,735
CATS	26,319,609	10,826,947	–	–	37,146,556	–	37,146,556
Total	73,555,184	11,973,107	–	–	85,528,291	–	85,528,291
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	–	–	–	2,339,865	–	2,339,865
CEC	22,789,503	200,108	–	–	22,989,611	–	22,989,611
Cirtek Corporation	83,152,953	–	–	–	83,152,953	–	83,152,953
Total	108,282,321	200,108	–	–	108,482,429	–	108,482,429
Cirtek Advanced Technologies and Solutions, Inc from:.							
CEIC	4,628	30,208	–	–	34,836	–	34,836
RBWRP	4,179,255	–	–	–	4,179,255	–	4,179,255
Total	4,183,883	30,208	–	–	4,214,091	–	4,214,091
RBW Realty and Property, Inc from:							
CATS	18,389	–	–	–	18,389	–	18,389
Total	18,389	–	–	–	18,389	–	18,389
TOTAL	$276,375,567	$12,203,423	$–	$–	$288,578,990	$–	$288,578,990

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS OF MARCH 31, 2018

Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	$61,940,611	$–	$–	$–	$–	$61,940,611
Product development costs	720,829	–	(50,348	–	–	670,481
Customer relationships	17,800,000	–	–	–	–	17,800,000
Technology	7,666,667	–	(200,000	–	–	7,466,667
Trademark	5,100,000	–	–	–	–	5,100,000
Total	$93,228,107	$–	($250,348	$–	$–	$92,977,759

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF MARCH 31, 2018

Long-term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Notes payable	$37,094,556	$2,914,981	$34,179,575

SCHEDULE F

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

AS OF MARCH 31, 2018

Indebtedness to related parties (Long-term loans from related companies)		
Name of related party	Balance at beginning of period	Balance at end of period
	Not Applicable	

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF GUARANTEES OF SECURITIES OF OTHER ISSUERS
AS OF MARCH 31, 2018

Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is file	Nature of guarantee
		Not Applicable		

SCHEDULE H

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF CAPITAL STOCK
AS OF MARCH 31, 2018

Capital Stock

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Number of shares held by directors, officers and employees	Others
Common Stock	520,000,000	419,063,353	–	320,907,217	9	–
Preferred A Shares	700,000,000	700,000,000	–	700,000,000	–	–
Preferred B-1 Shares	70,000,000	70,000,000	–	70,000,000	–	–
Preferred B-2 Shares	200,000,000	67,000,000	–	–	–	–