COVER SHEET
for
CONSOLIDATED AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 1 0 2 1 3 7

Company Name

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES

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

116 EAST MAIN AVENUE, PHASE V SEZ, LAGUNA TECHNOPARK, BIÑAN LAGUNA

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	(632) 7729-6205	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
29	30-Jul	31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Brian Gregory Liu	brian.liu@cirtek.ph	(632) 7729-6205	N/A

Contact Person's Address

116 East Main Ave., Phase V SEZ Laguna Technopark, Biñan Laguna

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

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

CIRTEK HOLDINGS
Philippines Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein as of December 31, 2019, 2018 and 2017 and for each of the three years in the period ended December 31, 2019 in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

R.S. Bernaldo & Associates and SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2019 and 2018, respectively, have audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinions on the fairness of presentation upon completion of such audit.

JERRY LIU
Chairman of the Board

JORGE AGUILAR
Vice- Chairman and President

BRIAN GREGORY LIU
EVP& Chief Financial Officer

Signed this 20th day of April 2020.

MAY 2 6 2020,

SUBSCRIBED AND SWORN to before me this _____ day of _________ 2020 affiants exhibiting to me their respective Community Tax Certificates (CTCs), as follows:

Name	CTC No.	Date of Issue	Place of Issue
JERRY LIU	CCI202007557950	01/06/2020	City of Manila
JORGE AGUILAR	CCI202007557955	01/06/2020	City of Manila
BRIAN GREGORY LIU	CCI202007557948	01/06/2020	City of Manila

Doc. No. 501;
Page No. 102;
Book No. XII;
Series of 2020

Atty. Ma. Fatima Ungson-Liu
Unit 109 Humana Wellness Ctr. Sta. Rosa City, Laguna
Notary Public for the City of Sta. Rosa, Laguna
Until December 31, 2021
Roll No. 46385, IBP LRN no. 03411
MCLE no. VI-0024880/4-17-19

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
116 East Main Avenue, Phase V-SEZ
Laguna Technopark, Binan, Laguna

Opinion

We have audited the accompanying consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Group as of December 31, 2018, were audited by another auditor whose report dated May 3, 2019, expressed an unqualified opinion on those consolidated statements.

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W: www.rsbernaldo.com

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

The risk

In our view revenue recognition is significant to our audit since the Group is a profit-oriented business and a publicly-listed. The accounting policies for revenue recognition are set out in Note 4.

Our response

Our audit procedures relating to revenue recognition included: understanding the Group's revenue cycle, performing system documentation and walkthrough, testing of controls, performing cut-off tests, and tracing of invoice to records.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audits of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is **PERCIVAL R. DE GUZMAN.**

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

PERCIVAL R. DE GUZMAN
Partner
CPA Certificate No. 92437
SEC Group A Accredited
Accreditation No. 1411-AR-1
Valid until June 14, 2020
BIR Accreditation No. 08-006019-1-2017
Valid from August 7, 2017 until August 6, 2020
Tax Identification No. 195-808-180
PTR No. 8125458
Issued on January 8, 2020 at Makati City

April 20, 2020

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019
(With Comparative Figures as of December 31, 2018)
(In US Dollars)

	NOTES	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	7	15,354,711	17,443,001
Trade and other receivables – net	8	43,749,775	14,725,878
Inventories – net	9	36,841,095	28,303,005
Due from related parties	22	22,973,970	57,004,906
Other current assets	10	4,138,465	2,617,509
		123,058,016	120,094,299
Assets held for sale	13	10,605,040	-
		133,663,056	120,094,299
Non-current Assets			
Other financial asset at amortized cost	12	458,873	469,588
Investment properties	14	-	10,605,040
Property, plant and equipment – net	15	36,739,251	38,160,729
Intangible assets – net	16	94,319,719	93,083,644
Right-of-use asset – net	17	490,807	-
Deferred income tax assets – net	29	256,958	205,074
Other non-current assets	18	902,248	1,950,980
		133,167,856	144,475,055
TOTAL ASSETS		266,830,912	264,569,354
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Trade and other payables	19	17,620,029	16,810,575
Short-term loan	20	64,699,593	53,710,000
Long-term debt – current portion	20	9,651,136	11,045,751
Due to related parties	22	565,867	601,193
Dividend payable	34	20,601	20,601
Lease liabilities – current portion	21	330,095	-
Deposit for future stock subscription	34	189,107	189,107
Income tax payable		298,125	458,785
		93,374,553	82,836,012
Non-current Liabilities			
Long-term debt – net of current portion	20	52,829,784	62,300,920
Lease liabilities – net of current portion	21	162,983	-
Retirement benefit obligation	27	2,054,769	1,555,062
Deferred income tax liabilities – net	29	4,141,118	4,090,991
		59,188,654	67,946,973
TOTAL LIABILITIES		152,563,207	150,782,985
STOCKHOLDERS' EQUITY			
Common Stock	34	9,594,321	9,594,321
Preferred Stock	34	2,615,995	2,615,995
Additional Paid-in Capital	34	100,469,659	100,469,659
Equity Reserve	34	4,030,214	4,030,214
Other Comprehensive Loss	27,34	(906,973)	(1,255,830)
Retained Earnings	34	26,217,617	25,144,690
Parent Company shares held by a subsidiary	34	(27,753,128)	(26,812,680)
TOTAL STOCKHOLDERS' EQUITY		114,267,705	113,786,369
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		266,830,912	264,569,354

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2019

(With Comparative Figures for the Years Ended December 31, 2018 and 2017)

(In US Dollars)

	NOTES	2019	2018	2017
REVENUE FROM CONTRACTS WITH				
CUSTOMERS	23	80,118,716	106,474,833	-
NET SALES		-	-	88,709,634
COST OF SALES	24	57,091,070	84,624,337	70,430,440
		23,027,646	21,850,496	18,279,194
OPERATING EXPENSES	25	9,844,960	15,587,401	12,214,355
FINANCIAL EXPENSE (INCOME)				
Finance costs	20	4,907,331	4,847,519	3,404,730
Finance income	7,12	(55,629)	(42,204)	(84,463)
OTHER INCOME – net	28	481,065	8,328,056	506,256
PROFIT BEFORE TAX		8,812,049	9,785,836	3,250,828
INCOME TAX	29	390,468	1,451,591	100,795
PROFIT		8,421,581	8,334,245	3,150,033
DISCONTINUED OPERATION	35	13,730,086	-	-
OTHER COMPREHENSIVE INCOME				
ITEM THAT WILL NOT BE RECLASSIFIED				
SUBSEQUENTLY TO PROFIT OR LOSS:				
Remeasurement – net	27, 34	348,857	214,878	155,963
ITEM THAT WIL BE RECLASSIFIED				
SUBSEQUENTLY TO PROFIT OR LOSS:				
Fair value loss on financial assets				
measured at FVOCI	34	(2,453,633)	-	-
TOTAL COMPREHENSIVE INCOME		20,046,891	8,549,123	3,305,996
Basic Earnings per Share		0.0110	0.0110	0.0080

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2019
(With Comparative Figures for the Years Ended December 31, 2018 and 2017)
(In US Dollars)

	Note	Common Stock	Preferred Stock	Additional Paid-in Capital	Equity Reserve	Other Comprehensive Income(Loss): Remeasurement	Other Comprehensive Income(Loss): Net Changes in Fair Value of Equity Investment at FVOCI	Retained Earnings	Parent Company shares held by a subsidiary	Total
Balance at January 1, 2017		9,594,321	221,239	35,896,893	4,138,375	40,329	-	24,884,576	(49,566,535)	25,209,198
Profit								3,150,033		3,150,033
Other comprehensive income						155,963				155,963
Cash dividends declared	34							(3,361,762)		(3,361,762)
Issuance of preferred stock	34		1,815,874	65,673,267						67,489,141
Stock issue cost				(1,100,501)						(1,100,501)
Sale by subsidiary of Parent Company's share					(108,161)					(108,161)
Balance, December 31, 2017, as previously reported		9,594,321	2,037,113	100,469,659	4,030,214	196,292	-	24,672,847	(49,566,535)	91,433,911
Sale by subsidiary of Parent Company's shares, as previously reported.									47,067,228	47,067,228
Effect of restatements									(4,518,053)	(4,518,053)
Balance, December 31, 2017, as restated		9,594,321	2,037,113	100,469,659	4,030,214	196,292	-	24,672,847	(7,017,360)	133,983,086
Profit								8,334,245		8,334,245
Other comprehensive income						214,878				214,878
Cash dividends declared	34							(7,862,402)		(7,862,402)
Issuance of preferred stock	34		578,882							578,882
Effect of PFRS 9							(1,667,000)			(1,667,000)
Acquistion of subsidiary of Parent Company's shares									(19,795,320)	(19,795,320)
Balance, December 31, 2018		9,594,321	2,615,995	100,469,659	4,030,214	411,170	(1,667,000)	25,144,690	(26,812,680)	113,786,369
Profit								8,421,581		8,421,581
Other comprehensive income						348,857				348,857
Cash dividends declared	34							(7,348,654)		(7,348,654)
Acquistion of subsidiary of Parent Company's shares									(940,448)	(940,448)
Balance, December 31, 2019		9,594,321	2,615,995	100,469,659	4,030,214	760,027	(1,667,000)	26,217,617	(27,753,128)	114,267,705

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(With Comparative Figures for the Years Ended December 31, 2018 and 2017)
(In US Dollars)

	NOTES	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		8,812,049	9,785,836	3,250,828
Adjustments for:				
Depreciation and amortization	24	5,996,914	5,860,524	4,126,018
Finance costs	20,21	4,907,331	4,847,519	3,404,730
Retirement benefit costs	26	317,749	(16,361)	245,263
Net unrealized foreign exchange losses (gains)		242,283	(31,798)	(48,619)
Finance income	7,12	(55,629)	(42,204)	(84,463)
Gain from discountinued operations	35	(13,730,086)	-	-
Loss on disposal of property, plant and equipment	15	-	10,389	-
Net gain on changes in FV of investment properties	24	-	(2,042,656)	-
Operating cash flows before changes in working capital		6,490,611	18,371,249	10,893,757
Decrease (Increase) in operating assets:				
Trade and other receivables		(29,023,897)	10,693,587	14,063,141
Inventories		(8,538,090)	(1,685,925)	(13,685,238)
Other current assets		(1,520,955)	(166,056)	472,975
Increase (decrease) in trade and other payables		809,454	(23,614,099)	(183,095)
Cash from (used in) operations		(31,782,877)	3,598,756	11,561,542
Interest received		54,295	48,659	78,888
Income taxes paid		(881,300)	(656,080)	(616,191)
Net cash from operating activities		(32,609,882)	2,991,335	11,024,239
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	15	(3,169,953)	(8,501,832)	(5,553,216)
Product development costs	16	(1,575,947)	(1,617,281)	-
Quintel	16	-	-	(81,303,212)
Proceeds from disposal of:		-		
Property, plant and equipment	15	-	280	-
Acquisition of asset at amortized cost		-	-	(480,563)
Redemption of assets at amortized cost		-	-	371,520
Decrease (increase) in other noncurrent assets		1,049,623	44,804	(754,094)
Net cash from (used in) investing activities		(3,696,277)	(10,074,029)	(87,719,565)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from:		-		
Availment of short-term loan	20	69,449,593	39,778,000	94,414,857
Issuance of stock		-	-	67,489,141
Common		-	-	-
Sale by a subsidiary of Parent Company's shares		-	-	42,441,015
Payments of:		-		
Cash dividends	34	(7,348,654)	(7,841,801)	(3,361,762)
Finance costs	20	(2,118,477)	(4,220,235)	(3,823,363)
Debt issuance costs	20	-	(300,274)	-
Long-term loan	20	-	(4,360,000)	(7,025,962)
Short-term loan	20	(58,460,000)	(10,108,088)	(62,000,714)
Stock issue cost		-	-	(775,635)
Acquisition by subsidiary of the Parent Company's shares	34	(940,448)	(19,795,320)	-
Collection of subscription receivable	34	-	578,882	-
Cash received as deposit for fuuture stock subscription	34	-	189,107	
Net movement in amounts owed by and owed to related parties		33,995,610	(6,563,085)	(37,924,203)
Net cash from (used in) financing activities		34,577,624	(12,642,814)	89,433,374
EFFECTS OF FOREIGN EXCHANGE RATE IN CASH		(359,755)	(54,228)	(26,804)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,088,290)	(19,779,736)	12,711,244
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,443,001	37,222,737	24,511,493
CASH AND CASH EQUIVALENTS AT END OF YEAR		15,354,711	17,443,001	37,222,737

(See Notes to Consolidated Financial Statements)

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
(With Comparative Figures as of and for the Years Ended December 31, 2018 and 2017)

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. The principal activities of the Parent Company are 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 (PSE) on November 18, 2011.

Prior to the listing, the Parent Company had undergone a corporate re-organization 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. is the immediate parent of CHPC, while Carmetheus Holdings, Inc. is the ultimate 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 as Cirtek Advanced Technologies and Solutions, Inc. (CATS), a manufacturer of valued-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.

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 Parent Company 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 (see Note 5). 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 and into Quintel, with the latter 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 CHPC and Cirtek Corporation. 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, and be converted automatically into the right to receive a portion of the purchase price.

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.

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.

Commercial Papers

On February 19, 2020, the Securities and Exchange Commission (SEC) approved the ₱2,000,000,000 worth of Commercial Papers (CPs) of the Parent Company. On the following day, the CPs have been listed in the Philippine Dealing and Exchange Corporation. The CPs may be issued in lump-sum or in tranches as follows:

Series	Discount Rate	Tenor	Denomination
A	5.332%	91 days	Minimum of ₱5,000,000 face value and increments of ₱100,000
B	5.582%	182 days	Minimum of ₱5,000,000 face value and increments of ₱100,000
C	5.832%	364 days	Minimum of ₱500,000 face value and increments of ₱100,000

The proceeds will be used to refinance the existing debt of the Parent Company and finance working capital requirement.

The Parent Company is 77.93% owned by Camerton, Inc., a domestic Corporation, 21.69% owned by Filipino individuals and 0.38% owned by foreign individuals.

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

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Group. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs with Material Effect on Amounts Reported in the Current Year

PFRS 16 *Leases* has been applied in the current period and had materially affected the amounts reported in these financial statements. Details of other new and revised PFRSs applied in these financial statements that have had no material effect on the financial statements are set out in section 2.03.

- PFRS 16, *Leases*

  PFRS 16 replaces PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019.

  The Group elected to apply this standard in accordance with modified retrospective approach. The details are provided in Note 36.

2.02 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendment clarifies that the exclusion of PFRS 9 applies only to interests a Group accounts using the equity method. A Group applies PFRS 9 to other interests in associates and joint venture, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

  The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  This amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

  The sign of prepayment amount is not relevant (i.e. this is depending on the interest rate prevailing at the time of termination), a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The amendments are effective for annual periods beginning or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement shall be determined using the assumptions used for the remeasurement. It clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

  The amendments are effective for annual periods beginning on or after January 1, 2019.

- Annual Improvements to PFRSs 2015-2017 Cycle

  <u>Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation</u> – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from 52A that deals only with situations where there are different tax rates for distributed and undistributed profits.

Amendments to PAS 23 - Borrowing costs eligible for capitalization – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

The amendments are effective beginning on or after January 1, 2019.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  It clarifies the accounting for uncertainties in income taxes. An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

  An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

  An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2019.

2.03 New and Revised PFRSs in Issue but Not Yet Effective

The Group will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.03.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 3, *Definition of a Business*

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

2.03.02 Deferred

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

The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF CONDOLIDATED FINANCIAL STATEMENTS

3.01 Statement of Compliance

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried either at fair value or amortized cost, investment properties carried at fair value, and non-current assets held for sale, which are stated at lower of carrying amount and fair value less costs to sell.

3.02 Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using United States Dollar ($), the currency of the primary economic environment in which the Group operates (the "functional currency").

The Group chose to present its consolidated financial statements using its functional currency.

3.03 Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Parent Company and its subsidiaries as of December 31, 2019 and 2018:

		Percentage of Ownership			
		2019		2018	
	Country of Incorporation	Direct	Indirect	Direct	Indirect
CEC	Philippines	100		100	
CEIC	BVI	100		100	
CATS	BVI		100		100
CATS - Philippine Branch	Philippines		100		100
RBW Realty and Property, Inc. (RBWRP)	Philippines		100		100
Cirtek Corporation	United States of America		100		100
Quintel	Cayman Islands		100		100
Quintel Tecnology, Ltd.	United Kingdom		100		100
Quintel USA	United States of America		100		100
Telecom Quintel Mauritius, Ltd.	Republic of Mauritius		100		100

Telecom Quintel Mauritius, Ltd. and Quintel Technology, Ltd. are in the process of liquidation, as disclosed in Note 35.

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (its subsidiaries) up to December 31 of each year. Control is achieved when the Parent Company has exposure or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over an investee. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

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-assess 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. Subsidiaries are consolidated from the date when control is transferred to the Parent Company and ceases to be consolidated from the date when control is transferred out of the Parent Company.

At acquisition, the assets and liabilities and the contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the profit and loss in the period of acquisition.

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Inter-group balances and transactions, including inter-group profits and unrealized profits and losses, are eliminated. When necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated during consolidation.

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.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control is accounted for as an equity transaction.

Upon the loss of control, the Group derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The Group recognizes any investment retained in the former subsidiary at its fair value when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRSs. That fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with PFRS 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

3.04 Current and Non-Current Presentation

The Group classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

The Group classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Business Combination

Business combination is a transaction or event in which an acquirer obtains control of one or more businesses. The Group accounts for each business combination by applying the acquisition method in accordance with PFRS 3. The Group elects to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group as an acquirer shall report in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete.

During the measurement period, the Group as an acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about the facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the Group as an acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group as an acquirer receives information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration that is classified as an asset or liability that is a financial instrument and within the scope of PFRS 9 (previously PAS 39) is measured at fair value with changes in fair value recognized either in profit or loss or other comprehensive income. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

The Group recognizes goodwill as of the acquisition date as the excess of (a) and over (b) below:

a) The aggregate of:

   i. The consideration transferred, which is generally measured at acquisition-date fair value;

   ii. The amount of any non-controlling interest in the acquiree; and

   iii. In a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

b) The net of the acquisition-date amounts the identifiable assets acquired and the liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within the unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Common control combination is a business combination wherein the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This means that the same party or parties have the ultimate control over the combining entities or businesses both before and after the business combination.

The Group applied pooling of interest method in accounting for common control business combinations. The assets and liabilities of the acquired entities and that of the Group 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 statement of financial position. 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 consolidated financial statements, regardless of the actual date of the combination.

4.02 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

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

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

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.03 Financial Assets

4.03.01 Initial Recognition and Measurement

The Group recognizes a financial asset in its consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Group measures receivables that do not have a significant financing component at their transaction price.

4.03.02 Classification

➢ Financial Asset at Amortized Cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at amortized costs include cash and cash equivalents, trade and other receivables, amounts owed by related parties, rental deposit, loans to employees, security deposits presented under other current assets, other financial asset at amortized cost, and loans to employees and miscellaneous deposits presented under other non-current assets..

a) Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks are deposits held at call with banks that are subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

b) Receivables

Receivables are measured at amortized cost using the effective interest method, less any impairment. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

➢ Financial Asset at Fair Value through Other Comprehensive Income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's financial assets measured at financial asset at fair value through other comprehensive income pertains to an investment in unquoted equity shares.

The Group has no financial assets measured at fair value through profit or loss in both years.

4.03.03 Reclassification

When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.03.02. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Group shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.03.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.03.05 Impairment

The Group shall measure expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Group adopted general approach in accounting for impairment.

- General Approach

  The Group applied the general approach to cash and cash equivalents, other receivables, amounts owed by related parties, rental deposit, security deposits, other financial assets at amortized cost, and miscellaneous deposit. At each reporting date, the Group measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Group measures the loss allowance equal to 12-month expected credit losses.

  The Group compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates, the performance of the counterparties' industry, and the available financial information of each counterparty to determine whether there is a significant increase in credit risk or not since initial recognition.

  The Group determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

  The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition because the financial instrument is determined to have low credit risk at the reporting date.

  If the Group has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Group shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

  The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

  The Group performs the assessment of significant increases in credit risk on an individual basis.

  The Group determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

  - Significant financial difficulty of the counterparty; and
  - A breach of contract, such as a default or past due event.
  - The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
  - It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

4.03.06 Derecognition

The Group derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.03.07 Write-off

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.04 Inventories

Inventories includes raw materials, spare parts and other materials which are stated at the lower of cost or net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined using first-in, first-out (FIFO) method. For finished goods and work-in-process, costs are determined on a standard cost basis. Standard costs take into account normal levels of materials and supplies, labor, efficiency and capacity utilization. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income. The amount of reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are used in operation or sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.05 Other Current Assets

4.05.01 Prepayment

Prepayment represent expenses not yet incurred, but already paid in cash. This is initially recorded as assets and measured at the amount of cash paid. Subsequently, this is charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayment is classified in the statements of financial position as current asset when the expenses related to prepayment are expected to be incurred within one (1) year or Group's normal operating cycle whichever is longer. Otherwise, prepayment is classified as non-current assets.

4.05.02 Advances to Suppliers

Advances to suppliers represents down payments for production materials that are still to be delivered. These are initially recorded as asset and will be subsequently reclassified to appropriate account once delivery is made.

4.06 Assets Held for Sale

Non-current assets and disposal groups are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell except for the following assets which shall continue to be measured in accordance with the corresponding standards:

- Non-current assets that are accounted for in accordance with the fair value model in PAS 40, *Investment Property*
- Deferred tax assets
- Assets arising from employee benefits
- Financial assets within the scope of PFRS 9, *Financial Instruments*
- Non-current assets that are measured at fair value less costs to sell in accordance with PAS 41, *Agriculture*
- Contractual rights under insurance contract as defined in PFRS 4, *Insurance Contracts*

4.07 Investment Properties

Investment properties, which are properties held to earn rentals is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. Fair value is determined as disclosed in Note 14.

Land is not depreciated. Depreciation of building and improvements is computed using straight-line method based on the estimated useful life of twenty-five (25) years.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

The estimated residual value, useful life and depreciation method are reviewed at the end of each annual reporting period, with the effort of any changes in estimate being accounted for on a prospective basis.

Investment property is derecognized by the Group upon its disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

4.08 Property, Plant and Equipment

Property, plant and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition, property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one period. Similarly, if the spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Land is not depreciated. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Buildings and improvements	5 to 25 years
Machinery and equipment	10 to 15 years
Facility and production tools	5 to 8 years
Furniture, fixtures and equipment	2 to 5 years
Transportation equipment	5 to 7 years

Construction in progress is a property under construction and development which is initially measured at cost. Cost includes construction costs, professional fees, borrowing costs, taxes and licenses and other expenses which are directly related with the construction of the project. Subsequently, upon completion, this will form part of property, plant and equipment and will be measured at cost less accumulated depreciation and accumulated impairment losses.

The residual value, useful lives and depreciation method of the Group's property, plant and equipment is reviewed, and adjusted prospectively if appropriate, if there is an indication of a change since the last reporting date.

An item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

4.09 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible asset with finite life is amortized over its economic useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each balance sheet date Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit (CGU) level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment can be supported. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group recognizes an intangible asset acquired in a business combination if it is identifiable and distinguishable from goodwill. The Group considers an intangible asset is identifiable if:

- it is separable, i.e., there is evidence of exchange transactions for the asset or an asset of a similar type, even if those transactions are infrequent and regardless of whether the Group is involved in those transactions; or
- it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations ("contract legal" criterion)

The Group's intangible assets recognized from business combination pertain to customer relationship, trademark and technology. Trademark and customer relationships are estimated to have an indefinite useful life, and will be subject to yearly impairment testing. The Group estimates that technology will have an economic life of 10 years.

4.09.01 Research and Development Costs

Research costs are expensed as incurred Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit, which is estimated to be five (5) to ten (10) years. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

4.10 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any of its assets other than financial assets that are within the scope of PFRS 9, *Financial Instruments,* may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

4.11 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.12 Financial Liabilities and Equity Instruments

4.12.01 Financial Liabilities

4.12.01.01 Initial Recognition and Measurement

The Group recognizes a financial liability in its consolidated statement of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

At initial recognition, the Group measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.12.01.02 Classification

The Group classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Group's financial liabilities at amortized cost pertain to trade and other payables (except withholding taxes payable), short-term loans, long-term debts, dividends payable, due to related parties, and deposit for future stock subscription.

The Group does not have financial liabilities at fair value through profit or loss in both years.

4.12.01.03 Deposit for Future Stock Subscription

Deposit for future stock subscription is defined as a subscription agreement which, among other things, states that the Group is not contractually obliged to return the consideration received and that the Group is obliged to deliver fixed number of own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Deposit for future stock subscription is classified as equity if all the conditions required for such recognition have been met as of the end of the reporting period otherwise, if not, classified as liability.

Deposit for future stock subscription is classified as equity when all of the following conditions are met as of the end of the reporting date:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; and
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

4.12.01.04 Derecognition

The Group removes a financial liability (or part of a financial liability) from its consolidated statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.12.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct costs.

Ordinary shares are classified as equity.

4.13 Employee Benefits

4.13.01 Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages and other employee benefits.

4.13.02.01 Defined Benefit Plans

CEC and CATS are covered by a noncontributory defined benefit retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value and when, and only when reimbursement is virtually certain.

4.13.02.02 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Group has a defined contribution plan covering substantially all employees of Quintel USA and Quintel Technology, Inc.

4.14 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.15 Revenue Recognition

The Group recognizes revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

4.15.01 Performance Obligations Satisfied at a Point in Time

Revenue from sale of goods is recognized at a point in time when the goods have been transferred to the customer (i.e. upon delivery). The Group's normal credit term is 30 to 120 days upon delivery. Discounts, returns and other allowances are not significant to the Group.

The Group's revenue encompasses sale of semiconductor packages and solid-state devices.

4.15.02 Dividend and Finance Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4.16 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Group.

The Group recognizes expenses in the consolidated statement of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.17 Leases

The Group has applied PFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under PAS 17.

4.17.01 Accounting Policy Applicable from January 1, 2019

4.17.01.01 The Group as Lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for a consideration. To apply this definition the Group assesses whether the contract meets three key evaluations, which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct how and for what purpose the asset is used throughout the period of use.

Right-of-Use (ROU) Asset

At the commencement date, the Group measures the ROU asset at cost, which comprises of:

- initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any incentives received;
- any initial direct costs incurred by the Group;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

The Group depreciates the ROU asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group also assesses the ROU asset for impairment when such indicators exist.

The Group has elected to account for short-term leases and low-value assets using the practical expedients. Instead of recognizing an ROU asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

ROU asset is presented as a separate line item on the consolidated statement of financial position.

Lease Liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under the residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect in-substance fixed lease payments.

The Group recognizes the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

Lease liabilities is presented as a separate line item on the consolidated statement of financial position.

4.17.02 Accounting Policy Applicable before January 1, 2019

4.17.02.01 Operating Leases

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4.18 Foreign Currency Transactions and Translation

In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.19 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Group that is preparing its consolidated financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.20 Taxation

Income tax expense represents the sum of current and deferred taxes.

4.20.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.20.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carry-over (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4.20.03 Current and Deferred Taxes for the Period

Current and deferred taxes are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.20.04 Final Tax on Dividend

When an entity pays dividends to its shareholders, it may be required to pay a portion of the dividends to taxation authorities on behalf of shareholders. In many jurisdictions, this amount is referred to as a withholding tax. Such an amount paid or payable to taxation authorities is charged to equity as a part of the dividends.

4.21 Earnings per Share

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

4.22 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the consolidated financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the consolidated financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to consolidated financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

5.01.01 Functional Currency

The Group determines its functional currency based on the economic substance of the underlying circumstances relevant to them. The US Dollar ($) is the currency that most faithfully represent the primary economic environment in which the Group operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Group. Hence, Management believes that US Dollar ($) is the Group's functional currency since it represents the economic substance relevant to the Group.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Group determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Group considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial assets are solely payments of principal and interest and consistent with the basic lending arrangement. As of December 31, 2019, 2018 and 2017, the aggregate amounts of the aforementioned assets amounted to $85,401,007 and $92,649,984, respectively, as disclosed in Note 32.

5.01.03 Assessment on the Bifurcation of Embedded Derivative

The Group determines whether the embedded derivative component of the Group's Note Facility Agreement (NFA) should be modified in relation to changes in a variable, such as an interest rate, commodity price, credit rating, or foreign exchange rate.

The Group 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 PFRS 9. As of December 31, 2019, 2018 and 2017, carrying amounts of long-term loans amounted to $62,480,920, $73,346,671 and $80,949,845, respectively, as disclosed in Note 20.

5.01.04 Assessment of 90 days Rebuttable Presumption

The Group determines when a default occurs on its financial assets based on the credit Management practice of the Group.

Management believes that the 90 days rebuttable presumption on determining whether financial assets are credit impaired or not is not applicable because based on the Group's historical experience past due amounts even over 90 days are still collectible.

5.01.05 Assessment of Timing of Satisfaction of Performance Obligations

An entity satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

Management assessed that the performance obligation is satisfied at point in time from the sale of its semiconductor and solid state devices.

In 2019 and 2018, revenue recognized from such sale amounted to $80,118,716, $106,474,833 and $88,709,634, respectively, as disclosed in Note 23.

5.01.06 Assessment of the Allocation of Transaction Price to Performance Obligations

A performance obligation is a vendor's promise to transfer a good or service that is 'distinct' from other goods and services identified in the contract.

Management assessed that allocation of transaction price is not applicable since the only obligation identified is the sale of semiconductor and solid state devices.

5.01.07 Determining Whether or not a Contract Contains a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Management assessed that they can make important decision about the use of the leased asset in the same way they can make decision about the use of asset on their own outright and met the criteria and conditions to be part of a lease hence, the Management believes that the contract conveys a lease. During the year, the Management assessed that contracts with Cirtek Land Corporation and Cayon Holdings, Inc. contains a lease, as disclosed in Note 26.

5.01.08 Estimating the Lease Term

Lease term is the non-cancellable period for which the Group has the right to use an underlying asset including optional periods when the Group is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term and the enforceability of the option. The option to extend the lease term should be included in the lease term if it is reasonably certain that the lessee will exercise the option and the option is enforceable. The Group is required to reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

For contracts in place at the date of initial application, the Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

5.01.09 Reclassification from Investment Properties to Assets Held for Sale

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, requires entities to classify a noncurrent asset held for sale if its carrying amount will be recovered mainly through selling rather than through continuing use.

When Cirtek Electronics International Corporation (CEIC) acquired RBW Realty and Property, Inc. (RBWRP) and Cirtek Advanced Technologies and Solution, Inc – Philippine Brach (CATS), the manufacturing activities of CATS had been transferred to Cirtek Electronics Corporation (CEC) facility for operational efficiency measures. As a result, the investment properties and building improvements owned by the Company and CATS became idle. On December 9, 2014, the BOD approved the plan to sell and dispose these assets to interested buyers.

In 2018, the Management became less committed in its plan to sell the assets since offers received from prospective buyers are below the carrying amount of the assets and the Group is not willing to accept lower asking prices. As a result, the assets are reclassified as 'Investment Properties' as of December 31, 2018.

During the year, Management has already located buyers who are willing to buy the assets at sales price reasonable in relation to the fair value. It is highly probable that sale will be completed in the subsequent year.

As of December 31, 2019, the carrying amount of assets held for sale measured at fair value amounted to $10,605,040 which were presented as of December 31, 2018 as investment properties.

5.02 Key Sources of Estimation Uncertainties

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

5.02.01 Estimating Expected Credit Losses of Financial Assets

The Group evaluates the expected credit losses related to its financial assets based on an individual assessment and available facts and circumstances, including, but not limited to historical loss experience and current and forecast macro-economic information.

The Group uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its bank deposits. In view of the foregoing factors, Management believes that the expected credit loss is nil.

The Group uses historical experience and current and forecast macro-economic information to assess the expected credit losses on its trade and other receivables and due from related parties. In view of the foregoing factors, Management believes that the expected credit loss on trade and other receivables and due from related parties is nil.

As of December 31, 2019 and 2018, the Group's financial assets measured at amortized cost amounted to $85,401,007 and $92,649,984, respectively, as disclosed in Note 32.

5.02.02 Estimating Inventories at Net Realizable Values

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

In 2019 and 2018, Management believes that the net realizable values of the inventories approximate their costs. Thus, no additional provision for obsolescence was recognized. In 2019 and 2018, the Group's obsolete inventories written off amounted to $924,262 and $689,767, respectively, as disclosed in Note 9. As of December 31, 2019 and 2018, carrying amount of the Group's inventories amounted to $36,841,095 and $28,303,005, respectively, as disclosed in Note 9.

5.02.03 Reviewing Residual Values, Useful Lives and Depreciation Method of Property, Plant, Equipment

The residual values, useful lives and depreciation method of the Group's property, plant and equipment are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recognized operating expenses and decrease non-current assets.

The Group uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which a Group expects to consume an asset's future economic benefits, the Group shall review its present depreciation method and, if current expectations differ, it shall change the depreciation method to reflect the new pattern.

In both years, Management assessed that there are no indications that there has been a significant change in the pattern used by the Group to consume assets' future economic benefits. As of December 31, 2019 and 2018, the carrying amount of property, plant and equipment amounted to $36,739,251 and $38,160,729, respectively, as disclosed in Note 15.

5.02.04 Reviewing Residual Values, Useful Lives and Amortization Method of Product Development Costs

The residual values, useful lives and amortization method of the Group's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible assets are available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Group uses a straight-line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

In both years, Management assessed that there were no significant changes on the estimates since the most recent annual reporting period. As of December 31, 2019 and 2018, the carrying value of product development cost amounted to $4,340,317 and $2,123,057, respectively, as disclosed in Note 16.

5.02.05 Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), assets held for sale, property, plant and equipment, right-of-use asset, investment properties, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees), which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. In assessing value in use, the estimated future cash flows shall be discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, other current assets (except rental deposit, security deposits, loan to employees and financial asset at FVTPL under others), assets held for sale, property, plant and equipment, right-of-use asset, investment properties, intangible assets, and other non-current assets (except miscellaneous deposits and loan to employees). As of December 31, 2019 and 2018, the aggregate carrying amounts of the foregoing assets amounted to $144,331,604 and $143,411,045 respectively, as disclosed in Notes 10,13,14,15, 16, 17 and 18.

5.02.06 Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, mortality of plan members and rates of compensation increase. In accordance with PFRS, actual results that differ from the assumptions and the effects of changes in actuarial assumptions are recognized directly as remeasurements in other comprehensive income. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

For the years ended December 31, 2019, 2018 and 2017, retirement benefits expense amounted to $317,749, $329,485 and $639,583 , respectively, as disclosed in Note 27. Retirement benefit obligation amounted to $2,054,769 and $1,555,062 as of December 31, 2019 and 2018, respectively, as disclosed in Note 27.

5.02.07 Deferred Tax Assets

The Group reviews the carrying amount at reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized prior to its expiration. The Group has recognized net deferred income tax assets amounting to $256,958 and $205,074 as of December 31, 2019 and 2018, respectively, as disclosed in Note 29.

Moreover, the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized, as disclosed in Note 29, are as follows:

	2019	2018
NOLCO	$ 2,564,703	$ 7,681,943
Unrealized gross profit	1,918,247	1,986,262
MCIT	261,642	201,584
Unrealized foreign exchange losses	245,193	66,667

Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized.

5.02.08 Estimating the Appropriate Discount Rate to Use

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or if not, the Group uses the incremental borrowing rate.

Management used its incremental borrowing rate of 5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

5.02.09 Estimation of Fair Value of Investment Properties

The determination of the fair value of the investment properties are dependent upon certain approaches used by professional qualified independent appraisers who hold a recognized and relevant valuation license. Below are the approaches used based on the study made on April 22, 2018.

The fair value of the Company's investment properties, consisting of land, and building and improvements, was arrived at using Cost Approach. In this approach, the fair values of land and improvements are estimated separately. The value of the land is computed using the Market Approach and the value of the improvements is arrived at by computing the estimated replacement cost less estimated accrued depreciation. Based on the study, the Management reported fair value of the properties amounting to $10,605,040 as disclosed in Note 13.

6. SEGMENT INFORMATION

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

For the year ended December 31, 2019:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	$ 31,140,559	$ 23,745,303	$ 25,232,854	$ -	$ 80,118,716
Total	$ 31,140,559	$ 23,745,303	$ 25,232,854	$ -	$ 80,118,716
Segment depreciation and amortization	3,728,320	734,037	185,817	1,174,920	5,996,914
Segment interest income	19,310	8,915	27,404	-	55,629
Segment interest expense	4,826,419	-	69,056	-	4,895,475
Segment profit (loss) before income tax	10,212,877	7,003,878	13,491,720	(7,916,340)	22,792,135
Segment provision for (benefit from) income tax	559,105	25,663	28,935	(223,235)	390,468
Segment profit (loss) after income tax	$ 9,653,772	$ 6,978,215	$ 13,462,785	$ (7,693,105)	$ 22,401,667

Other financial information of the operating segments as of December 31, 2019 is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 76,048,497	$ 67,786,574	$ 11,841,571	$ (21,767,782)	$ 133,908,860
Non-current assets	29,969,954	7,845,290	4,433,983	89,785,667	132,034,895
	$ 106,018,451	$ 75,631,864	$ 16,275,554	$ 68,017,885	$ 265,943,755
Liabilities					
Current liabilities	$ 79,593,866	$ 17,091,057	$ 16,587,589	$ (19,912,551)	$ 93,359,961
Non-current liabilities	54,559,174	596,008	360,000	3,673,470	59,188,652
	$ 134,153,040	$ 17,687,065	$ 16,947,589	$ (16,239,081)	$ 152,548,613

For the year ended December 31, 2018:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	$ 44,240,950	$ 7,599,796	$ 54,634,087	$ -	$ 106,474,833
Inter-segment	-	35,366,017	-	(35,366,017)	-
Total	$ 44,240,950	$ 42,865,813	$ 54,634,087	$ (35,366,017)	$ 106,474,833
Segment depreciation and amortization	3,206,711	1,165,693	1,488120	-	5,860,524
Segment interest income	29,064	13,140	-	-	42,204
Segment interest expense	4,786,379	-	61,140	-	4,847,519
Segment profit (loss) before income tax	11,096,097	8,189,893	(684,778)	(8,815,376)	9,785,836
Segment provision for (benefit from) income tax	703,210	680,066	37,821	30,494	1,451,591
Segment profit (loss) after income tax	$ 10,392,887	$ 7,509,287	$ (722,599)	$ (8,845,870)	$ 8,334,245

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

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 124,850,608	$ 46,770,966	$ 17,004,639	$ (68,631,914)	$ 120,094,299
Non-current assets	39,417,569	18,590,653	2,971,351	83,495,482	144,475,055
	$ 164,268,177	$ 65,361,619	$ 19,975,990	$ 14,963,568	$ 264,569,354
Liabilities					
Current liabilities	$ 73,965,589	$ 44,637,894	$ 29,539,870	$ (65,307,341)	$ 82,836,012
Non-current liabilities	63,352,537	693,806	360,000	3,540,630	67,946,973
	$ 137,318,126	$ 45,331,700	$ 29,899,870	$ (61,766,711)	$ 150,782,985

For the year ended December 31, 2017 (As restated):

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Revenue from contracts with customers					
External customers	$ 43,282,904	$ 26,695,362	$ 18,731,368	$ -	$ 88,709,634
Inter-segment	-	18,972,071	-	(18,972,071)	-
Total	$ 43,282,904	$ 45,667,433	$ 18,731,368	$ (18,972,071)	$ 88,709,634
Segment depreciation and amortization	2,896,683	616,010	123,775	489,550	4,126,018
Segment interest income	47,941	36,464	58	-	84,463
Segment interest expense	3,320,940	-	83,790	-	3,407,730
Segment profit (loss) before income tax	2,952,150	8,065,901	(4,230,097)	(3,537,125)	3,250,829
Segment provision for (benefit from) income tax	441,476	36,213	9,675	(386,570)	100,794
Segment profit (loss) after income tax	$ 2,510,674	$ 8,029,688	$ (4,239,772)	$ (3,140,555)	$ 3,150,035

Other financial information of the operating segments as of December 31, 2017 (As restated) is as follows:

	CEC	CATS -Philippine Branch	Quintel	Eliminations and Consolidation Adjustments	Consolidated
Assets					
Current assets	$ 117,099,488	$ 63,013,402	$ 24,158,971	$ (50,701,277)	$ 153,570,584
Non-current assets	29,389,777	6,407,914	574,332	92,135,507	128,507,540
	$ 146,489,265	$ 69,421,326	$ 24,733,303	$ 41,434,230	$ 282,078,124
Liabilities					
Current liabilities	$ 74,354,747	$ 47,913,288	$ 33,394,679	$ (46,592,536)	$ 109,070,178
Non-current liabilities	34,862,589	112,135	540,000	3,510,136	39,024,840
	$ 109,217,336	$ 48,025,423	$ 33,934,679	$ (43,082,400)	$ 148,095,038

Inter-segment revenues, cost of sales, and operating expenses are eliminated on consolidation.

The operating income and profit before and after income tax for each operating segment includes net profit from inter-segment revenues aggregating to nil, $19 million and $35.4 million in 2019, 2019 and 2017, respectively, inter-segment cost of sales of nil, $33.4 million and $15.9 million in 2019, 2018 and 2017, respectively, and inter-segment operating expenses aggregating to $0.6 million, $0.5 million, and $0.6 million in 2019, 2018 and 2017, respectively.

The Group's external customers are located in various countries, with the bulk of revenues contributed by customers located in Europe and the USA. Following shows the distribution of external customers by revenue contribution (amounts in thousands):

		2019		2018		2017
USA	$	**40,519**	$	51,728	$	55,801
Europe		**15,266**		35,336		22,307
Asia		**24,334**		19,411		10,602
	$	**80,119**	$	106,475	$	88,710

7. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, in banks and cash equivalents.

Cash and cash equivalents at the end of the reporting periods as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

		2019		2018
Cash on hand	$	**248**	$	245
Cash in banks		**15,354,463**		17,439,717
Cash equivalents		**-**		3,039
	$	**15,354,711**	$	17,443,001

Cash in banks earn interest at prevailing deposit rates. Cash equivalents are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Group, and earns interest at the respective short-term deposit rates.

Aggregate finance income from cash equivalents amounted to $51,434, $30,581 and $49,564 in 2019, 2018 and 2017, respectively.

8. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables are as follows:

	2019	2018
Trade receivables	$ 29,294,780	$ 14,940,815
Less: Allowance for expected credit losses	(741,012)	(491,012)
	28,553,768	14,449,803
Others	15,196,007	276,075
	$ 43,749,775	$ 14,725,878

Trade receivables are non-interest and are generally on thirty (30) to one hundred twenty (120) days' terms.

The movements in the allowance for expected credit losses are as follows:

	2019	2018
Balance at January 1	$ 491,012	$ 241,012
Provision for expected credit loss (Note 25)	250,000	250,000
Balance at December 31	$ 741,012	$ 491,012

In 2018 and 2017, Quintel USA entered into an agreement whereby it could sell receivables due from a certain customer financial institution. In 2018 and 2017, sold its receivables amounting to $13.3 million and $11.7 million, respectively. Sale of receivables under this arrangement convey all rights to the financial institution without recourse at a discount of LIBOR plus 1.05%. Quintel USA incurred discounting fees and charges amounting to $81,800 and $71,963 pertaining to this arrangement in 2018 and 2017, respectively.

Others include accrued interest receivable from short-term deposits and nontrade receivable from suppliers which are expected to be collected within one year.

9. INVENTORIES – net

Details of the Group's inventories are as follows:

	2019	2018
Raw materials	$ 13,299,410	$ 9,814,321
Finished goods	11,217,838	12,812,535
Work-in-process	9,454,196	4,901,773
Spare parts and others	1,223,379	847,330
Supplies and others	1,646,272	944,214
	36,841,095	29,227,267
Less: Allowance for obsolescence	-	(924,262)
	$ 36,841,095	$ 28,303,005

The movements in the allowance for obsolescence are as follows:

		2019		2018
Balance at January 1	$	924,262	$	1,614,029
Write-off		(924,262)		(689,767)
Balance at December 31	$	-	$	924,262

The cost of inventories charged to expenses amounted to $34,159,682, $53,980,162 and $44,347,102, in 2019, 2018 and 2017, respectively, as disclosed in Note 24.

10. OTHER CURRENT ASSETS

The details of the Group's other current assets are shown below:

		2019		2018
Prepaid expenses	$	271,018	$	389,399
Advances to suppliers		1,880,903		288,767
Rental deposit (Note 26)		1,157,496		1,142,374
Loans to employees (Note 22)		621,206		612,792
Security deposits		182,482		182,409
Others		25,360		1,767
	$	4,138,465	$	2,617,509

Loans to employees include loans extended to key management personnel as disclosed in Note 22.

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

Others include investment classified as financial asset at FVPL amounted to $494 and $476, as of December 31, 2019 and 2018, respectively,

11. FINANCIAL ASSET AT FAIR VALUE THROUGH OCI

Details of the Groups' financial asset at fair value through other comprehensive income:

		2019		2018
Balance at January 1	$	-	$	1,667,000
Fair value changes recognized directly in equity upon adoption of PFRS 9		-		(1,667,000)
Balance at January 1, adjusted		-		-
Fair value changes recognized in other comprehensive income		-		-
Balance at December 31	$	-	$	-

The Groups' financial asset at FVOCI pertains to investment in an unquoted equity shares acquired at a cost of $1,667,000 in 2015. The financial asset is carried at cost amounting to $1,667,000 as of December 31, 2017 but has been revalued as of January 1, 2018 amounting to nil. The fair value of the financial asset is obtained through market comparable approach (Level 3).

There were no additions and disposals made in 2019 and 2018.

12. OTHER FINANCIAL ASSET AT AMORTIZED COST

Movement of the Groups' financial asset at amortized cost is as follows:

		2019		2018
Balance at January 1	$	**469,588**	$	480,563
Amortization of premium		**(10,715)**		(10,975)
Balance at December 31	$	**458,873**	$	469,588

In compliance with the Revised 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 the market values equivalent to a certain percentage of the amount by which CATS – Philippine Branch's income exceeds $0.1 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 other financial asset at amortized cost pertains to government bond which was purchased by the Philippine Branch of CATS in compliance with above regulation. The remaining bond will mature in 2021 and bears an effective interest rate of 1.948% per annum.

Interest income in 2019, 2018 and 2017 amounting to $4,195, $11,625 and $34,899, respectively, are presented as finance income in the consolidated statement of comprehensive income.

13. ASSETS HELD FOR SALE

Prior to reclassification of the Group's investment properties into assets held for sale, the carrying value of the investment properties amounted to $8,788,538, which was net of accumulated depreciation amounting to $1,079,896. The Group's investment properties consist of land, and building and improvements, costing $3,698,601 and $6,169,833, respectively.

On December 9, 2014, the Group'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 was classified as 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 fair value of the assets held for sale was determined as the sum of:

1. Fair value of land computed using the Market Approach (Level 3); and
2. Fair value of building and building improvements, and machinery and equipment computed as Replacement Cost New less estimated accrued depreciation (Level 3).

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

Market Approach is 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 comparable range from $125 to $150. Significant increase (decrease) 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 building and 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 term of market conditions, locations 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 the amount of fair value less costs to sell.

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

In 2018, land and building with a total carrying value of $8.6million reclassified to investment properties as disclosed in Note 14 and building plant and machineries with a total carrying value of $2,846,227 were reclassified to property, plant and equipment. Management assessed that the sale of these properties is no longer probable and no longer meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* as disclosed in Notes 13 and 14. Depreciation recognized has the properties not been reclassified as non-current asset held for sale amounted to $0.5 million presented under "Operating expenses" in the consolidated statement of comprehensive income.

The most recent valuation of the Company's investment properties was performed on April 22, 2018 by Philippine SEC accredited independent appraiser. The valuation was arrived by reference to Market Approach method which is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets.

In 2019, the Group reclassified land and building with a total carrying value of $10,605,040 presented as investment properties as assets held for sale. Management assessed that the sale of these properties is probable and will meet the classification criteria set by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations.* As of December 31, 2019, and 2018, the Group's assets held for sale amounted to $10,605,040 and nil, respectively.

14. INVESTMENT PROPERTIES

As of December 31, 2019, and 2018, the Groups' investment properties amounted to nil and $10,605,040, respectively, as disclosed in Note 13. In 2019, 2018 and 2017, net gain on fair value measurement amounted to nil, $2,042,656 and nil, respectively, as disclosed in Note 28.

As of December 31, 2019, and 2018, the fair value of land and building are based on valuations performed by Philippine SEC-accredited independent appraiser. The valuation model in accordance with that recommended by the IVSC has been applied.

Market Approach is 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 comparable range from $130 to $240. Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis (Level 2).

The Group has no intentions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancement as of December 31, 2019.

In 2019 and 2018, there were no expenses incurred and income generated from the investment properties.

15. PROPERTY, PLANT AND EQUIPMENT – net

The carrying amounts of the Group's property, plant and equipment are as follows:

	Machinery and equipment	Building and improvements	Facility and production tools	Furniture, fixtures, and equipment	Transportation equipment	Construction in Progress	Total
January 1, 2018							
Cost	$ 55,071,722	$ 8,347,402	$ 9,979,138	$ 1,320,217	$ 171,177	$ -	$ 74,889,656
Accumulated depreciation	31,371,775	5,314,809	5,643,127	1,146,300	119,755	-	43,595,766
Carrying amount	23,699,947	3,032,593	4,336,011	173,917	51,422	-	31,293,890
Movements during 2018							
Balance, January 1, 2018	23,699,947	3,032,593	4,336,011	173,917	51,422	-	31,293,890
Cost:							
Additions	5,319,447	870,622	1,848,015	117,049	-	346,699	8,501,532
Reclassification from non-current asset held for sale	3,590,452	-	-		-	-	3,590,452
Reclassification due to change of use	(10,436)	-	-	10,436	-	-	-
Disposals	(15,000)	(7,827)	(86,636)	(124,149)	-	-	(233,612)
Accumulated Depreciation:							
Depreciation (Notes 24 and 25)	(2,895,780)	(489,642)	(899,879)	(168,310)	(16,940)		(4,470,551)
Reclassification from non-current asset held for sale	(744,225)	-	-	-	-	-	(744,225)
Reclassification due to change of use	1,186	-	-	(1,186)	-	-	-
Disposals	13,593	7,827	77,374	124,149	-	-	222,943
Balance, December 31, 2018	28,959,184	3,413,573	5,274,885	131,906	34,482	346,699	38,160,729
December 31, 2018							
Cost	63,956,185	9,210,197	11,740,517	1,323,553	171,177	346,699	86,748,328
Accumulated depreciation	34,997,001	5,796,624	6,465,632	1,191,647	136,695	-	48,587,599
	28,959,184	3,413,573	5,274,885	131,906	34,482	346,699	38,160,729

Movements during 2019							
Balance, January 1, 2019	$ 28,959,184	$ 3,413,573	$ 5,274,885	$ 131,906	$ 34,482	$ 346,699	$ 38,160,729
Cost:							
Additions	1,370,154	137,159	1,347,301	315,339	-	-	3,169,953
Disposal	-	-	(504,010)	-	-	-	(504,010)
Accumulated Depreciation:							
Depreciation (Notes 24 and 25)	(2,624,291)	(576,638)	(1,071,157)	(212,246)	(16,939)	-	(4,501,271)
Disposal	-	-	413,850	-	-	-	413,850
	$ 27,705,047	$ 2,974,094	$ 5,460,869	$ 234,999	$ 17,543	$ 346,699	$ 36,739,251
December 31, 2019							
Cost	65,326,339	9,347,356	12,583,808	1,638,892	171,177	346,699	89,414,271
Accumulated depreciation	37,621,292	6,373,262	7,122,939	1,403,893	153,634	-	52,675,020
Carrying amount	$ 27,705,047	$ 2,974,094	$ 5,460,869	$ 234,999	$ 17,543	$ 346,699	$ 36,739,251

In both years, additions were all paid in cash.

In 2018, certain amount of Group's property and equipment with carrying amount of $10,669 has been disposed resulting into a loss of $10,389.

Construction in progress pertains to the construction of Building 3 – Phase 2 which will cater additional capacity for the Group.

In both years, total balance of property, plant and equipment includes fully depreciated equipment that are still in use.

In both years, the Group has determined that there is no indication that impairment has occurred on its of property, plant and equipment.

16. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets are as follows:

	2019	2018
Goodwill	**$ 55,541,157**	$ 55,541,157
Customer relationships	**23,736,500**	23,736,500
Trademark	**7,472,800**	7,472,800
Technology	**3,228,946**	4,210,130
Product development costs	**4,340,316**	2,123,057
	$ 94,319,719	$ 93,083,644

Goodwill

The goodwill acquired through business combination is only attributable to the Quintel business. As a result of the Quintel acquisition, the Group recognized goodwill amounting to $55,541,157 for both years.

Customer relationships

Customer relationship represent Quintel's established relationships with two of the largest telecon companies in the United States. 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 the 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

Movements of technology are as follows:

		2019		2018
Carrying amount				
Cost	$	5,874,600	$	5,874,600
Accumulated amortization		(1,664,470)		(489,550)
		4,210,130		5,385,050
Movements during the year				
Balance, January 1		4,210,130		5,385,050
Additions		193,736		-
Amortization (Notes 24 and 25)		(1,174,920)		(1,174,920)
Balance, December 31	$	3,228,946	$	4,210,130

The fair values of the Quintel's technology and trademark were determined based on discounted notional royalty savings after tax plus discounted tax amortization benefit resulting from the amortization of the required assets (i.e., relief from royalty method). The Group estimates that technology will have an economic life of five (5) years.

Trademark is estimated to have an indefinite useful life.

The Group has determined that there is no indication that an impairment loss has occurred on its technology and trademark.

Product development cost

Movements of product development cost are as follows:

		2019		2018
Carrying amount				
Cost	$	2,944,300	$	1,327,019
Accumulated amortization		(821,243)		(606,190)
		2,123,057		720,829
Movements during the year				
Balance, January 1		2,123,057		720,829
Additions		2,537,984		1,617,281
Amortization (Notes 24 and 25)		(320,724)		(215,053)
Balance, December 31	$	4,340,317	$	2,123,057

Product development cost pertain to the capitalized cost of developing certain packages or products for the specific customers. The development cost met the requirements of PAS 38 for capitalization.

Of the total additions above, only $1,382,211 has been paid in cash during the year. The remaining balance amounting to $1,155,733 pertains to non-cash adjustment related to of Quintel's product development cost capitalized in the books of the Group.

Software

As of December 31, 2019 and 2018, CEC has software with a total cost of $39,278 which are fully amortized but are still used for in operations.

Impairment testing of goodwill, customer relationship and trademark

Goodwill acquired through business combinations have been allocated to only one (1) CGU, which is the Group's Quintel business. The recoverable amount of CGU has been determined based on value-in-use calculations using cash flows projections from financial budgets covering a five-year period.

Key assumptions with respect to the calculation of value-in-use of the CGU as of December 31, 2018 used by management in its cash flow projections to undertake impairment testing of goodwill are as follows:

	2018
Discount rate	10.7%
Terminal growth rate	1.5%
Revenue growth rates	30.0% to 38.0%

- Discount rate represents the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group's Quintel business, derived from weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).
- Terminal growth rate is the sustainable growth rate computed based on Quintel's comparable
- Revenue growth rates are based on the most recent value achieved in the year preceding the start of the budget period, and adjusted for planned efficiency improvement, if any.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

No impairment losses were recognized for goodwill, customer relationships and trademark for the years ended December 31, 2019 and 2018.

17. RIGHT-OF-USE ASSET – net

The details of the Group's right-of-use asset are as follows:

Balance, January 1, 2019		-
Additions	$	509,015
Depreciation (Notes 24 and 25)		(18,208)
Balance, December 31, 2019		**490,807**
December 31, 2019		
Cost		509,015
Accumulated depreciation		(18,208)
Carrying amount	$	**490,807**

As of December 31, 2019 and 2018, lease liabilities related to right-of-use asset amounted to $493,078 and nil, respectively, as disclosed in Note 21.

18. OTHER NON-CURRENT ASSETS

Below is the composition of the Groups' other non-current assets:

	2019	2018
Loans to employees (Note 22)	$ 731,043	$ 902,161
Miscellaneous deposits	171,205	166,646
Advances to suppliers	-	875,662
Others	-	6,511
	$ 902,248	$ 1,950,980

Loans to employees includes loans to key management personnel as disclosed in Note 22.

Miscellaneous deposits pertain to refundable deposits with MERALCO for the installation of CEC's electrical meters and bill deposit equivalent to one (1) month energy consumption.

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

19. TRADE AND OTHER PAYABLES

The components of trade and other payables account are as follows:

	2019	2018
Trade	$ 8,373,400	$ 10,835,308
Accruals	6,366,967	2,371,077
Contract liabilities (Note 23)	1,807,952	2,041,270
Provisions	641,949	1,272,860
Others	429,761	290,060
	$ 17,620,029	$ 16,810,575

Trade payables are noninterest-bearing and are generally on 60-90 day's terms.

Accruals comprise mainly of accruals for payroll, utilities, communication, security, shuttle services and professional services. Accruals include accrual of interest amounting to $634,136, $755,977 and $257,793 in 2019, 2018 and 2017, respectively, as disclosed in Note 20.

Provisions pertain to the Group's estimate of the cost to repair or replace defective products in accordance with agreed specifications and potential liability for legal and other claims.

Others pertain to statutory liabilities.

The movements in the provisions are as follows:

	2019	2018
Balance at January 1	$ 1,272,860	$ 2,302,670
Reversal of warranty claims (Note 28)	(630,911)	(1,181,650)
Provision for legal and other claims (Note 25)	-	151,840
	$ 641,949	$ 1,272,860

20. LOANS PAYABLE

The Group's borrowings pertain to bank short-term and long-term loans.

	Current	Non-current	Total
December 31, 2019			
Short-term loans (Note 20.01)	**$ 64,699,593**	**$ -**	**$ 64,699,593**
Long-term loans (Note 20.02)	**9,651,136**	**52,829,784**	**62,480,920**
	$ 74,350,729	**$ 52,829,784**	**$ 127,180,513**
December 31, 2018			
Short-term loans (Note 20.01)	$ 53,710,000	$ -	$ 53,710,000
Long-term loans (Note 20.02)	11,045,751	62,300,920	73,346,671
	$ 64,755,751	$ 62,300,920	$ 127,056,671

20.01 Short-term Loans

Details of short-term loans are as follows:

	2019	2018
Rizal Commercial Banking Corporation (RCBC)	**$ 44,399,593**	$ 25,610,000
China Banking Corporation (CBC)	**10,500,000**	11,000,000
Security Bank Corporation (SBC)	**9,800,000**	10,000,000
BDO Unibank, Inc. (BDO)	-	5,400,000
Metropolitan Bank and Trust Company (MBTC)	-	1,700,000
	$ 64,699,593	$ 53,710,000

Terms and conditions of short-term loans are as follows:

- Revolving loan facilities with RCBC have payment terms ranging from 60 days to 360 days. The facilities charged interest of 2.25% to 5.00% per annum in 2019 and 2018, respectively.
- Revolving loan facilities with CBC, which have payment terms of 180 days, are unsecured and charged interest of 5.00% per annum in 2018.
- Revolving loan facilities with SBC have payment terms ranging from 177 days to 180 days. The facilities charged interest of 1.95% to 6.00% per annum in 2019 and 2018, respectively.
- Revolving loan facilities with BDO have payment terms of 163 days. The facilities charged interest of 2.75% to 3.50% per annum in 2019 and 2018, respectively.
- Revolving loan facilities with MBTC have payment terms ranging from 59 days to 180 days. The facilities charged interest of 3.00% to 3.88% per annum in 2019 and 2018, respectively.

Movements of the short-term loans are as follows:

	2019	2018
Balance at January 1	**$ 53,710,000**	$ 64,040,088
Proceeds from availment of loan	**69,449,593**	39,778,000
Loan repayments	**(58,460,000)**	(10,108,088)
Reclassified to long-term loans	**-**	(40,000,000)
Balance at December 31	**$ 64,699,593**	$ 53,710,000

In 2019, 2018 and 2017, finance costs incurred and paid on short-term loans amounted to $2,118,477, $2,065,766 and $1,100,000, respectively.

The Group is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02 Long-term Loans

Details of long-term loans are as follows:

	Current	Non-current	Total
December 31, 2019			
Principal	**$ 9,680,000**	**$ 53,110,000**	**$ 62,790,000**
Deferred finance cost	**(28,864)**	**(280,216)**	**(309,080)**
	$ 9,651,136	**$ 52,829,784**	**$ 62,480,920**
December 31, 2018			
Principal	$ 11,180,000	$ 62,610,000	$ 73,790,000
Deferred finance cost	(134,249)	(309,080)	(443,329)
	$ 11,045,751	$ 62,300,920	$ 73,346,671

Movements of deferred finance costs are as follows:

	2019	2018	2017
Balance at January 1	**$ 443,329**	$ 272,155	$ 390,029
Transaction costs	**-**	300,274	-
Amortization	**(134,249)**	(129,100)	(177,874)
Balance at December 31	**$ 309,080**	$ 443,329	$ 272,155

20.02.01 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 twelve (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 PFRS 9/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 Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments owing, scheduled repayments of principal, interest expenses (including capitalized interest expenses) and fees payable, whether or not actually paid, in respect of any debt, whether or not actually paid.

The loan was fully paid in 2017.

20.02.02 2014 Note Facility Agreement (NFA)

On December 18, 2014, the Parent Company entered into another $10.0 million Notes Facility Agreement with Metropolitan Bank & Trust Company (Initial Note Holder), 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 twelve (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 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 PFRS 9/PAS 39.

The 2014 NFA follows the same definition and calculation of financial ratios as the 2012 NFA.

The Parent Company is in compliance with the debt covenants as of December 31, 2019 and 2018, respectively.

The carrying amount of the loan from the 2014 NFA as of December 31, 2019 and 2018 amounted to nil and $7.0 million, respectively.

20.02.03 2016 Note Facility Agreement (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 40% 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 twelve (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 se date in four (1) 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 w e 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 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 PFRS 9/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 Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the net cash provided by operating activities plus unrestricted cash (as shown in the most recent audited consolidated financial statements) divided by the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Group to pay or repay including without limitation: (i) all obligations of the Group for borrowed money evidenced by promissory notes or other instruments, (ii) all financial obligations of any other person guaranteed by the Group, (iii) all financial obligations of any other person secured by a security upon or in property owned by the Group, whether or not the Group have assumed or become liable for the payment of such financial obligations, and (iv) capitalized lease obligations of the Group which are capitalized in accordance with PFRS.

The carrying amount of the loan from the 2016 NFA as of December 31, 2019 and 2018 amounted to $23.2 million and $26.1 million, respectively.

The Parent Company is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02.04 2018 Note Facility Agreement (NFA)

On April 12, 2018, the Parent Company entered into a $40.0 million NFA with BPI and RCBC (each a "Noteholder" and collectively, the "Noteholders'), RCBC Trust and Investments Group (Facility and Paying Agent) and RCBC Capital Corporation (Issue Manager). The NFA provided for the conversion of the outstanding balance of the Parent Company's short-term bridge loan facilities with the Noteholders amounting to $20.0 million each Noteholder into long term credit facilities. The NFA provided for the issuance of 7-year fixed rate corporate note which bears interest of 6.25% per annum payable quarterly. The net proceeds from the issuance of the Notes shall be used to refinance the bridge loan facilities used to acquire the 100% ownership of Quintel.

Under the NFA, the Parent Company shall pay the 30% of the loan outstanding on issue date in twenty-four (24) equal consecutive quarterly commencing at the end of the 1st year until the end of the 28th quarter from the issue date. The remaining 70% of the loan outstanding on issue date shall be paid in a single balloon payment at maturity date.

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 and in multiples of $ 5,000,000 on any interest payment date beginning on the first anniversary of the issue date, by paying a prepayment penalty equivalent to 2% of the principal amount of the Notes being redeemed, together with any and all accrued interest up to the date of redemption at the applicable rate and any related breakage costs (calculated from such non-interest payment date to the immediately succeeding interest payment date) actually incurred by the relevant Noteholders, if the redemption is due to: (i) interest costs or (ii) illegality. 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 PFRS 9.

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

- debt to equity ratio shall not at any time, exceed 70.30;
- debt service coverage ratio shall not, as of relevant testing date, be less than 1.15; and
- current ratio shall not at any time, be less than 1.10.

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 Group Debt, on the other hand, is defined in the agreement as the aggregate of all obligations (whether actual or contingent) of the Parent Company and its subsidiaries to pay or repay money.

Debt service ratio is defined in the agreement as the result obtained by dividing (i) EBITDA and (ii) the amount of debt service. Debt service, on the other hand, is defined in the agreement as the aggregate of all payments for: (a) interest and principal payments due under the Agreement in the next twelve (12) months; (b) the principal and interest payments due in the next twelve (12) months of all interest bearing debt with tenor of more than twelve (12) months, and (c) netting obligations of the Issuer due in the next twelve (12) months under permitted hedging arrangements, if applicable.

The carrying amount of the loan from the 2018 NFA amounted to $38.4 million and $39.7 million as of December 31, 2019 and 2018.

The Parent Company is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02.05 CATS

In 2012, CATS obtain a secured interest-bearing loan from a local commercial bank amounting to $13.0 million. The principal is payable in twenty-eight (28) quarterly payments of $464,286 until 2018 and bears annual interest rate of 3.0% plus three (3) 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 as disclosed in Note 15. 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 thirty (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 $4.7 million.

CATS is in compliance with the debt covenants as of December 31, 2019 and 2018.

20.02.06 Quintel USA

Long-term debt amounting to $540,000 and $540,000 as of December 31, 2019 and 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 USA is in compliance with the financial reporting requirements as of December 31, 2019 and 2018.

Total finance costs (including amortization of deferred financing costs) amounted to $2,779,588, $2,781,753 and $2,304,730 in 2019, 2018 and 2017, respectively. In 2019, 2018 and 2017, finance cost paid amounting to nil, $2,154,469 and $418,633, respectively.

Total finance costs accrued and paid for short-term loan and long-term debt recognized in the consolidated statements of comprehensive income amounted to $4,907,331, $4,847,519 and $3,404,730 in 2019, 2018 and 2017, respectively.

The Group is in compliance with the debt covenants as of December 31, 2019 and 2018.

21. LEASE LIABILITIES

The Group, as lessee, entered into leasing arrangements with its related parties as disclosed in Notes 22 and 26. The following are the amounts of lease liabilities:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2019	2018	2019	2018
Not later than one year	$ 23,265	$ -	$ 14,767	$ -
Later than one year but not later than five years	407,465	-	315,328	-
Later than five years	120,874	-	162,983	-
	551,604	-	493,078	-
Discount	(58,526)	-	-	-
Present value of minimum lease payments	493,078	-	493,078	-
Current lease liabilities	330,095	-	330,095	-
Non-current lease liabilities	$ 162,983	$ -	$ 162,983	$ -

Movement in the lease liabilities is as follows:

	2019	2018
Balance, January 1	$ 502,344	$ -
Interest expense	9,266	-
Balance, December 31	$ 493,078	$ -

The Group is required to pay security deposit and advanced rental equivalent to one (1) month rent amounting to $1,939. These shall be applied to the last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract. Rental security deposits amounted to $1,157,496 and $1,142,374 as of December 31, 2019 and 2018, respectively, as disclosed in Note 10.

The Group used its incremental borrowing rate of 5.5% to measure the present value of its lease liabilities since the implicit rate was not readily available.

The Group is compliant with the terms and conditions of the lease contracts.

22. RELATED PARTY TRANSACTIONS

Nature of relationship of the Parent Company and its related parties are disclosed below:

Related Party	Nature of Relationship
Carmetheus Holdings, Inc.	Ultimate Parent
Camerton Inc. (CI)	Immediate Parent
Cayon Holdings, Inc.	Under common key management
Cirtek Holdings, Inc. (CHI)	Under common key management
Charmview Enterprises Ltd (CEL)	Under common key management
Stockholders	Key Management Personnel

22.01 Due from Related Parties

Details of due from related parties are as follows:

	2019	2018
Immediate parent	$ 20,981,130	$ 54,978,875
Under common key management	1,992,840	2,026,031
Balance at December 31	$ 22,973,970	$ 57,004,906

Balances of due from related parties as shown in the consolidated statement of financial position are summarized per category as follows:

22.01.01 Immediate Parent

Transactions with immediate parent are detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CI				
Assignment of liabilities	$ -	$ 20,962,321	$ 54,888,948	$ 54,960,066
Reimbursements	-	18,809	18,809	18,809
	-	20,981,130	54,907,757	54,978,875

The following are the nature, terms and conditions:

a) Transactions with CI

On December 27, 2018, the Group and Camerton, Inc. executed a Sworn Corporate Undertaking, whereby CI undertakes to pay the amounts owed by the stockholders amounting to $55.0 million. CI undertakes to repay portion of the outstanding advances amounting to $5.0 million on or before May 31, 2019 and the remaining balance in 2019.

The amounts outstanding are non-interest bearing, unsecured and will be settled in cash. No guarantees have been received. No provisions have been made for credit losses in respect of the amounts owed by related party.

22.01.02 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	**Outstanding Balances**	Amount/ Volume	Outstanding Balances
CHI				
Advances	$ -	$ 1,809,256	$ -	$ 1,809,256
Cayon				
Reimbursements	2,548	183,584	2,548	216,775
	$ 2,548	$ 1,992,840	$ 2,548	$ 2,026,031

The following are the nature, terms and conditions:

a) *Transactions with CHI*

Result of assignments and settlements in 2011 represents the advances for working capital in the normal course of business when CEC and CEIC were then 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.

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 abovementioned 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 December 31, 2019 and 2018 pertains to the outstanding receivable arising from the assignments and set-off agreements. The amounts outstanding are non-interest bearing, unsecured and will be settled in cash.

b) *Transactions with Cayon*

The Group also entered into an agreement with Cayon starting January 1, 2011 to lease the land where Group's Building 2 is located. The agreement calls for an annual rental of ₱282,144 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 $10,503, $11,551 and $11,690 in 2018, 2017 and 2016, respectively.

22.01.03 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balance	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	$ -	$ -	$ 54,960,066	$ -

22.02 Due to Related Parties

Balances of due to related parties as shown in the consolidated statement of financial position are summarized per category as follows:

22.02.01 Under Common Key Management Personnel

Transactions with under common key management personnel are detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	Outstanding Balances	Amount/ Volume	Outstanding Balances
CLC				
Rental	$ -	$ 431,720	$ 11,559	$ 470,607
Canyon				
Rental	3,561	98,219	10,503	94,658
	$ 3,561	$ 529,939	$ 22,062	$ 565,265

The following are the nature, terms and conditions:

c) *Transactions with CLC*

The Group 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 twenty-five (25) years at the option of the Group. The lease agreement provided for an annual rental of $.15 Million subject to periodic adjustments upon mutual agreement of both parties.

On January 1, 2011, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of ₱0.64 Million ($0.01 Million) for a period of ten (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. The total rent expense charged to operations amounted to $0.01 million in both years.

d) Transactions with Cayon

The Group entered into an agreement with Cayon starting January 1, 2011 to lease the land where the Group's Building 2 is located. The agreement calls for a fixed annual rate of ₱.58 Million or $0.01 Million for a period of ten (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 $0.01 Million in both years. The amounts are unsecured, non-interest bearing and due and demandable and will be settled in cash. No guarantees have been given.

22.02.02 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders Advances	$ **35,928**	$ **35,928**	$ **35,928**	$ **35,928**

22.03 Remuneration of Key Management Personnel

Remunerations of key management personnel of the Group are detailed as follows:

	2019	2018	2017
Short-term	$ **1,788,483**	$ 2,017,640	$ 2,598,525
Long-term	**6,160**	6,850	2,045
Balance at December 31	$ **1,794,643**	$ 2,024,490	$ 2,600,570

On May 17, 2018, the Group extended loans to two key management personnel totaling to $1.5 million. The loans best interest of 2.69% per annum. Provided the executive is employed on August 4th of each year during the term of the note, 1/5th of the note is forgiven, including the proportionate accrued interest. If the executive is terminated for anything other than cause, as defined in the agreement, the remaining balance and accrued but unpaid interest is forgiven.

The remunerations above include the carrying amount of the loan as of December 31, 2019 and 2018, amounting to $1,352,249 and $1,514,953, respectively, as disclosed in Notes 10 and 18. Interest income recognized amounted to nil in both years.

23. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below is the disaggregation of the Group's revenue from contracts with customers in 2019 and 2018, respectively:

	2019	2018
8 port antennas	$ **19,242,837**	$ 28,874,102
6 port antennas	**13,774,254**	5,356,743
12 port antennas	**6,428,062**	19,124,028
Discrete	**6,425,672**	10,667,990
New product	**6,195,194**	6,808,873
Multichips	**6,110,854**	11,043,990
Integrated circuits	**6,079,549**	7,569,714
Remec manufacturing services	**5,729,194**	4,122,599
Dual and quad flat no-leads	**5,001,100**	6,385,914
Hermetics	**1,328,190**	1,764,468
Indoor radio frequency unit	**981,759**	1,191,608
Brackets	**466,836**	1,034,534
Cougar	**211,164**	142,754
10 port antennas	**171,075**	244,681
Outdoor unit	**120,114**	1,667,913
Bridgewave	**11,794**	345,598
Others	**1,841,069**	129,324
	$ **80,118,716**	$ 106,474,833

The Group has no contract assets as of December 31, 2019 and 2018.

The Group's contract liabilities pertain to advance payments from customers amounting to $1,807,952 and $2,041,270 as at December 31, 2019 and 2018, respectively, as disclosed in Note 19. Contract liabilities as at January 1, 2018 were recognized as revenue in 2018.

24. COST OF SALES

Components of cost of sales account are as follows:

	2019	2018	2017 (As restated)
Raw materials, spare parts, supplies and other inventories used, and changes in inventories (Note 9)	$ **34,159,682**	$ 53,980,162	$ 44,347,102
Salaries, wages and employees' benefits (Note 27)	**9,450,859**	12,817,903	12,691,030
Inward freight and duties and others	**4,234,641**	8,148,510	5,397,161
Depreciation and amortization (Notes 15, 16 and 17)	**5,275,072**	5,209,430	4,032,434
Utilities	**3,970,816**	4,468,332	3,962,713
	$ **57,091,070**	$ 84,624,337	$ 70,430,440

25. OPERATING EXPENSES

The account is composed of the following expenses:

	2019	2018	2017
Salaries, wages and employees' benefits (Note 27)	**$ 3,782,002**	$ 7,579,136	$ 5,181,761
Commissions	**1,022,828**	1,324,413	1,050,523
Utilities	**993,787**	485,756	630,039
Professional fees	**965,697**	2,308,451	2,965,595
Transportation and travel	**595,526**	752,810	602,944
Depreciation and amortization (Notes 15,16 and 17)	**436,614**	651,094	93,584
Taxes and licenses	**362,081**	417,298	676,068
Provision for estimated credit losses (Note 8)	**250,000**	250,000	200,000
Entertainment, amusements and recreation	**189,833**	198,932	186,020
Insurance	**142,563**	154,756	122,041
Supplies	**23,971**	346,036	274,472
Provision for probable losses (Note 19)	**-**	151,840	-
Others	**1,080,058**	966,879	232,308
	$ 9,844,960	$ 15,587,401	$ 12,214,355

Professional fees pertain to retainer's fee, legal fees and consultancy fees.

Other expenses pertain to repairs and maintenance and bank charges.

26. LEASE AGREEMENTS

The Group has leases for its land. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group's sales) are excluded from the initial measurement of the lease liability and asset.

26.01 The Group as a Lessee

26.01.01 Cirtek Land Corporation

The Group entered into a lease agreement with Cirtek Land Corporation (CLC), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,674 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CLC to lease the land where Building 1 is erected. The agreement calls for a fixed annual rate of $12,189 for a period of 16 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $1,016. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

26.01.02 Cayon Holdings, Inc.

The Group entered into a lease agreement with Cayon Holdings, Inc (Cayon), a related party, for piece of land located at 116 East Main Avenue, Phase V SEZ, Laguna Technopark, Binan Laguna consisting of 6,064 square meters, more or less. On January 1, 2019, the Group entered into an agreement with CHI to lease the land where Building 2 is erected. The agreement calls for a fixed annual rate of $11,075 for a period of 5 years and renewable thereafter by mutual agreement of the parties subject to such new terms and conditions as they may be mutually agreed upon. The Group is required to pay security deposit and advanced rental equivalent to one (1) month' rent amounting to $923. These shall be applied to last one (1) month's rent and unpaid bills, or refunded upon termination of lease contract.

Rental security deposits amounted to $1,157,496 and $1,142,374 as of December 31, 2019 and 2018, respectively, as disclosed in Note 10.

As of December 31, 2019 and 2018, the Group's ROU asset amounted to $490,807 and nil, respectively, as disclosed in Note 17.

Lease Liabilities

Lease liabilities are presented in the consolidated statement of financial position as follows:

	2019	2018
Current	$ 330,095	$ -
Non-current	162,983	-
	$ 493,078	$ -

27. EMPLOYEE BENEFITS

Aggregate employee benefits expense comprised:

	2019	2018	2017
Short-term benefits (Note 27.01)	$ 13,351,657	$ 20,067,554	$ 17,233,208
Retirement benefits (Note 27.02)	317,749	329,485	639,583
	$ 13,669,406	$ 20,397,039	$ 17,872,791

27.01 Short-term benefits

Short-term benefits as disclosed in Notes 24 and 25 comprised of:

	2019	2018	2017
Salaries, wages and other labor costs	$ 10,043,282	$ 16,679,530	$ 15,174,955
SSS, PHIC and HDMF contributions	3,308,375	3,388,024	2,058,253
	$ 13,351,657	$ 20,067,554	$ 17,233,208

27.02 Retirement Employee Benefits

27.02.01 Defined Benefit Plan

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. 7641 requires 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.

27.02.01.01 Retirement benefit costs

Below are the summarized components of retirement benefit costs recognized in consolidated statement of comprehensive income:

	December 31, 2019		
	CEC	**CATS – Philippine Branch**	**Total**
Current service cost	$ 142,464	$ 59,331	$ 201,795
Net interest cost	108,920	7,034	115,954
	$ 251,384	$ 66,365	$ 317,749

	December 31, 2018		
	CEC	CATS – Philippine Branch	Total
Current service cost	$ 156,742	$ 47,681	$ 204,423
Net interest cost	96,549	6,132	102,681
Effect of asset ceiling	-	22,381	22,381
	$ 253,291	$ 76,194	$ 329,485

	December 31, 2017		
	CEC	CATS – Philippine Branch	Total
Current service cost	$ 142,990	$ 39,068	$ 182,058
Net interest cost	88,768	3,290	92,058
Effect of asset ceiling	310,331	55,136	365,467
	$ 542,089	$ 97,494	$ 639,583

27.02.01.02 Retirement benefit obligation

Below are the summarized components of retirement benefit obligation recognized in consolidated statement of financial position:

December 31, 2019			
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 2,544,100	$ 214,912	$ 2,759,012
Fair value of plan assets	(704,243)	-	(704,243)
	$ 1,839,857	$ 214,912	$ 2,054,769

December 31, 2018			
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 1,852,493	$ 143,445	$ 1,995,938
Fair value of plan assets	(440,876)	-	(440,876)
	$ 1,411,617	$ 143,445	$ 1,555,062

December 31, 2017			
	CEC	CATS – Philippine Branch	Total
Present value of defined benefit obligation	$ 2,204,062	$ 112,135	$ 2,316,197
Fair value of plan assets	(426,048)	-	(426,048)
	$ 1,778,014	$ 112,135	$ 1,890,149

27.02.01.03 Present value of the defined benefit obligation

Changes in the presented value of the defined benefit obligation are as follows:

December 31, 2019	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	$ 1,852,494	$ 143,444	$ 1,995,938
Current service cost	142,464	59,331	201,795
Interest cost	142,938	7,316	150,254
Remeasurement gains	(21,639)	4,822	(16,817)
Benefits paid	(153,028)	-	(153,028)
Transfer of employees	495,881	-	495,881
Translation difference	84,990	-	84,990
	$ 2,544,100	$ 214,913	$ 2,759,013

December 31, 2018	CEC	CATS – Philippine Branch	Total
Opening present value defined benefit obligation	$ 2,204,062	$ 112,135	$ 2,316,197
Current service cost	156,742	47,681	204,423
Interest cost	119,684	6,132	125,816
Effect of asset ceiling	-	22,381	22,381
Remeasurement gains	(360,756)	4,168	(356,588)
Benefits paid	(160,152)	(39,806)	(199,958)
Transfer of employees	4,486	(4,486)	-
Translation difference	(111,573)	(4,760)	(116,333)
	$ 1,852,493	$ 143,445	$ 1,995,938

27.02.01.04 Fair value of plan assets

Changes in the fair value of plan assets of CEC are as follows:

	2019	2018
Opening fair value of plan assets	$ 440,877	$ 426,048
Interest income included in net interest cost	34,018	23,190
Remeasurement losses	(41,036)	(124,032)
Contribution	184,975	139,214
Benefits paid	(21,639)	(2,058)
Translation difference	107,048	(21,486)
	$ 704,243	$ 440,876

CEC has an agreement with an insurance company to fund the retirement benefits of its employees. CEC believers that the insurance coverage qualifies as plan assets because the proceeds of the policy can be used only to play or fund the retirement benefits.

27.02.01.05 Remeasurement losses (gains)

Details of the remeasurement losses (gains) in other comprehensive income are as follows:

December 31, 2019						
		CEC		**CATS – Philippine Branch**		**Total**
Remeasurement losses (gains) on defined benefit obligation arising from:						
Changes in assumptions	$	513,458	$	4,822	$	518,280
Experience adjustments		(17,576)		-		(17,576)
Remeasurement losses on plant assets		41,036		-		41,036
	$	536,918	$	4,822	$	541,740

December 31, 2018						
		CEC		CATS – Philippine Branch		Total
Remeasurement losses (gains) on defined benefit obligation arising from:						
Changes in assumptions	$	(320,676)	$	(21,657)	$	(343,090)
Experience adjustments		(100,479)		18,771		(84,004)
Changes in demographic assumptions		62,453		7,054		69,655
Remeasurement losses on plant assets		128,226		-		124,032
	$	(230,476)	$	4,168	$	(233,407)

December 31, 2017			
	CEC	CATS – Philippine Branch	Total
Remeasurement losses (gains) on defined benefit obligation arising from:			
Changes in assumptions	$ (177,175)	$ (2,797)	$ (179,972)
Experience adjustments	51,035	(39,632)	11,403
Changes in demographic assumptions	(13,147)	(3,318)	(16,465)
Remeasurement losses on plant assets	20,863	-	20,863
	$ (118,424)	$ (45,747)	$ (164,171)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019		2018	
	CEC	**CATS – Philippine Branch**	CEC	CATS – Philippine Branch
Discount rate	**5.10%**	**5.10%**	7.60%	7.40%
Expected rate of salary increase	**3.00%**	**2.00%**	3.00%	2.00%

The sensitivity analysis of the defined benefit obligation of changes in the weighted principal assumption for 2019 and 2018 are as follows:

	2019		2018	
	Impact on Defined Benefit Obligation			
	Change in Assumption	**Increase in Assumption**	**Change in Assumption**	**Decrease in Assumption**
CEC				
Discount rate	+1.00%	$ **(235,320)**	+1.00%	$ (148,203)
	-1.00%	**277,610**	-1.00%	172,759
Expected rate of salary increase	+1.00%	**280,804**	+1.00%	179,239
	-1.00%	**(241,894)**	-1.00%	(155,715)
CATS – Philippine Branch				
Discount rate	+1.00%	$ **(4,696)**	+1.00%	$ (8,554)
	-1.00%	**5,377**	-1.00%	9,731
Expected rate of salary increase	+1.00%	**16,562**	+1.00%	10,176
	-1.00%	**(15,313)**	-1.00%	(9,061)

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis. The latest actuarial reports of the Group are as of December 31, 2019. The average duration of the defined benefit obligation at the end of the reporting date ranges from 19 to 22 years.

Expected maturity analysis of undiscounted benefit obligation is as follows:

	2019		2018	
	CEC	**CATS – Philippine Branch**	CEC	CATS – Philippine Branch
1 year or less	$ **556,653**	$ **129,385**	$ 475,353	$ 171,902
More than 1 year to 5 years	**553,310**	**541,438**	555,796	558,211
More than 5 years	**9,721,317**	**458,943**	8,990,306	451,180

27.02.02 Defined Contribution Plan

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.

Quintel USA made matching contributions amounting to $0.1 million and S0.2 million in for the year ended December 31, 2019 and 2018, respectively.

Quintel Technology, Ltd has a defined contribution plan covering substantially all UK employees. In 2019 and 2018, Quintel Technology, Ltd. made nil and $94,530 in contributions.

28. OTHER INCOME – net

The account is composed of the following:

	2019	2018	2017
Net gain on fair value changes on investment properties (Note 14)	$ **-**	$ 2,042,656	$ -
Sale of scrap	**91,552**	239,473	258,610
Foreign exchange gains (losses) - net	**(242,283)**	(117,472)	178,456
Others	**631,796**	6,163,399	69,290
	$ **481,065**	$ 8,328,056	$ 506,256

Others include reversal of warranty claims amounting to $630,911, $1,1181,650 and nil in 2019, 2018 and 2017, as disclosed in Note 19, respectively.

29. INCOME TAXES

29.01 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.

29.02 CATS - Philippine Branch

CATS - Philippine Branch was registered with PEZA as an Ecozone Export Enterprise to engage in the manufacture, fabrication and design of millimeter wave 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.

Details of provision for (benefit from) income tax are as follows:

	2019	2018	2017 (As restated)
Current	$ **720,640**	$ 884,352	$ 521,332
Deferred	**(330,172)**	567,239	(420,537)
	$ **390,468**	$ 1,451,591	$ 100,795

The provision for current income tax in 2019, 2018 and 2017 pertains 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 Group is subject to MCIT beginning 2015.

A numerical reconciliation between tax expense and the product of accounting profit multiplied by the tax rate is as follows:

		2019		2018		2017 (As restated)
Income tax at applicable statutory rate	$	595,233	$	1,092,525	$	913,960
Tax effects of:						
Movement of temporary differences, carryforward benefits of NOLCO and excess MCIT over RCIT for no deferred income tax assets were recognized		268,577		548,958		245,928
Change in tax rates arising from Tax Act		-		-		(713,214)
Taxable income subject to ITH		(254,569)		(230,729)		(275,165)
Non-taxable income		(55,629)		(45,420)		(123,161)
Income subject to higher tax rate		19,767		64,450		29,000
Other taxable income subject to 5%		(2,031)		(3,947)		12,930
Nondeductible expenses		(180,596)		9,551		8,926
Translation difference and others		(284)		16,203		1,591
	$	390,468	$	1,451,591	$	100,795

In 2019, 2018 and 2017, CATS - Philippine Branch has availed ITH for certain product lines. Total gross income for the registered activities of CATS - Philippine Branch under ITH in 2016 amounted to $5 million, $4.6 million, and $8.9 million, respectively.

The components of the net deferred income tax assets and liabilities of the Group as of December 31 are as follows:

29.03 Net deferred income tax assets

		2019		2018
Deferred income tax assets recognized in profit or loss:	$		$	
Fair value adjustment on nonfinancial assets		151,990		127,849
Retirement benefit obligation		146,905		114,618
HTM investments		3,215		1,408
	$	302,110	$	243,875
Deferred income tax liabilities recognized in profit or loss:				
Effect of foreign exchange differences between tax base and financial base		(2,173)		(1,351)
Unrealized foreign exchange gains		(16,133)		(13,192)
	$	(18,306)	$	(14,543)
Deferred income liability related to retirement benefit obligation recognized in other comprehensive income		(26,846)		(24,258)
	$	256,958	$	205,074

29.04 Net deferred income tax assets

	2019	2018
Deferred income tax assets (liabilities) recognized in business combination:		
Intangible assets	$ (7,204,421)	$ (7,204,421)
NOLCO	3,528,204	3,528,204
Accrued expenses	86,137	135,587
	$ (3,590,080)	$ (3,540,630)
Deferred income tax assets (liabilities) recognized in profit or loss:		
Net fair value gain on change in fair market value of investment properties	(551,038)	(551,038)
Unrealized foreign exchange loss	-	677
	$ (551,038)	$ (550,631)
	$ (4,141,118)	$ (4,090,991)

The following are the Group's NOLCO, MCIT and deductible temporary differences for which no deferred income taxes have been recognized as the Management believes that it may not be probable that sufficient future taxable profit will be available against which the deferred income tax assets can be utilized:

	2019	2018
NOLCO	$ 2,564,703	$ 7,681,943
Unrealized gross profit	1,918,247	1,986,262
MCIT	261,642	201,584
Unrealized foreign exchange losses	245,193	66,667

Deferred income tax asset on MCIT amounting to $0.3 and $0.2 million is not recognized in 2019 and 2018, respectively, because Management believes it is not probable that sufficient future taxable profits will be available against which the MCIT may be applied. MCIT incurred in 2018 can be utilized until 2021.

The undistributed retained earnings of foreign subsidiaries for which no deferred income tax liability was recognized amounted to $10.0 million and $24.4 million as of December 31, 2019 and 2018, respectively.

As of December 31, 2019, the Group and RBWRP incurred NOLCO that can be claimed as deduction from future taxable income as follows:

Parent Company

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2015	$ 1,006,718	$ 1,006,718	$ -	$ -	$ -	2018
2016	1,329,752	1,329,752	-	-	-	2019
2018	4,783,563	3,587,271	-	-	1,196,292	2020
2019	695,256	-	-	-	695,256	2022
	$ 7,815,289	$ 5,923,741	$ -	$ -	$ 1,891,548	

RBWRP

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Unapplied	Expiry Date
2016	$ 79,712	$ -	$ -	$ 79,712	$ -	2019
2017	3,282	-	-	-	3,282	2020
2018	1,759	-	-	-	1,759	2021
2019	2,797	-	-	-	2,797	2022
	$ 87,550	$	$ -	$ 79,712	$ 7,838	

Quintel USA

As of December 31, 2019, Quintel USA incurred NOLCO that can be claimed as deduction from future taxable income amounting to $23.2 million.

	NOLCO	DTA	Expiration
Quintel USA	$ 32,764,855	$ 6,880,620	2027 to 2037

CEIC and CATS are exempt from income tax under the tax privileged status as a BVI business company under the BVI Business Companies Act.

Changes in Legislation

United States of America (US)

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.

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 did not have any significant impact on the consolidated financial statement balances as of balance sheet date.

30. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019	2018	2017 (As restated)
Net income	$ **8,421,581**	$ 8,334,245	$ 3,150,033
Adjustment on dividends declared:			
Preferred A shares	**-**	(8,400)	(8,400)
Preferred B-1 shares	**-**	(81,377)	(21,280)
Preferred B-2 shares	**(4,103,750)**	(4,103,750)	(341,979)
Net income attributable to common shareholders of the Group	$ **4,317,831**	$ 4,140,718	$ 2,778,378
Weighted average number of ordinary shares for the purposes of basic earnings per share	**392,979,673**	392,979,673	367,502,711

The Group's earnings per share are $0.011, $0.011 and $0.008 in 2019, 2018 and 2017, respectively.

As of December 31, 2019, 2018 and 2017, the Group 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 Group as adjusted with the effects of shares held by a subsidiary.

31. FAIR VALUE MEASUREMENTS

31.01 Fair Value of Financial Assets and Liabilities

As of December 2019 and 2018, the carrying value of the Group's financial assets and liabilities, excluding AFS financial assets carried at cost because its fair value cannot be reliably measured, are equal to or approximate their respective fair value.

Cash and cash equivalents, trade and other receivables, loans to employees, trade and other payables, short-term loans, dividend payables, due 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 FVTPL - UITF

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

Investment Properties

The fair value of the investment properties is determined by a Philippine SEC-accredited independent appraiser using the market data approach, 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.

HTM investments/Other financial statements at amortized cost

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 and loans to payable

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 7.5% and 4.19% to 6.37% in 2019 and 2018, respectively (Level 3).

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial asset at FVPL	$ -	$ 494	$ -	$ 494
Investment properties	-	-	-	-
Financial assets measured at fair value:				
Financial asset at amortized cost	$ 458,873	$ -	$ -	$ 458,873
Long-term debt	-	-	52,829,784	52,829,784

December 31, 2018				
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Financial asset FVTPL	$ -	$ 475	$ -	$ 475
Investment properties	-	10,605,040	-	10,605,040
Financial assets measured at fair value:				
Financial asset at amortized cost	$ 469,588	$ -	$	$ 469,588
Long-term debt	-	-	74,119,113	74,119,113

32. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's principal financial instruments comprise of cash and cash equivalents, short term loans and long-term debt. The main purpose of these consolidated financial statements 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 deposits and loans to employees (presented as part of other current assets), miscellaneous deposits (presented under other noncurrent assets), trade and other payables, amounts owed to related parties and derivative liability which generally arise directly from its operations.

32.01 Credit Risk Management

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 items 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.

For cash in bank and cash equivalents, other receivables, amounts owed by related parties, rental deposits, loans to employees and miscellaneous deposits, the Group applies the low credit risk simplification where the Group measures the ECL on a 12-month basis based on the probability of default and loss given default which are publicly available. The Group also evaluates the credit rating of the bank and other counterparties to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers its cash in banks and cash equivalents as high grade since these are placed in financial institutions of high credit standing. For other receivables, amounts owed by related parties various deposits, loans to employees, the Group considers this as high to medium grade as the counterparties are of high credit standing. Accordingly, ECLs relating to those debt instruments round to nil.

For trade receivables, an impairment analysis is performed at each reporting date using a provision matrix to measures ECLs. The provision rates are based on days past due for groupings of customers segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

In its ECL model, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Gross domestic products
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Based on the Group's credit risk experience, expected credit loss rate increases as the age of receivables increase.

On the other hand, the Group considers its amounts owed by related parties as medium grade due to assured collectability through information from the related parties' sources of funding. No ECLs relating to these debt instruments was recognized.

The aging per class of financial assets and expected credit loss as of December 31, 2019 and 2018 are follows:

December 31, 2019:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents	₱ 15,354,711	₱ -	₱ -	₱ -	₱ 15,354,463
Trade and other receivables	-	-	741,012	43,749,775	43,749,775
Amounts owed by related parties	22,973,970	-	-	-	22,973,970
Other current assets:				-	
Rental deposits	1,157,496	-	-	-	1,157,496
Loans to employees	621,206	-	-	-	621,206
Security deposit	182,482	-	-	-	182,482
Other financial assets at amortized cost	458,873	-	-	-	458,873
Miscellaneous deposits	171,205	-	-	-	171,205
	₱ 40,919,943	₱ -	₱ 741,012	₱ 43,749,775	₱ 84,669,470

**Excludes cash on hand*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2019.

Trade receivables and other receivables
Days past due

	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	6.21%	
Estimated total gross carrying amount at default	$25,818,637	$1,988,950	$1,976,532	$2,000,000	279,326	$11,936,330	$ 43,999,775
Expected credit loss	$-	$-	$-	$-	-	$741,012	$741,012

December 31, 2018:

	12-Month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Not Credit Impaired	Simplified Approach	Total
Amortized cost					
Cash and cash equivalents	$ 7,442,765	$ -	$ -	$ -	$ 15,354,463
Trade and other receivables	-	-	491,012	14,725,877	15,216,889
Amounts owed by related parties	56,641,388	-	-	-	56,641,388
Other current assets:				-	
Rental deposits	1,142,374	-	-	-	1,142,374
Loans to employees	612,792	-	-	-	612,792
Security deposit	182,409	-	-	-	182,409
Other financial assets at amortized cost	469,588	-	-	-	469,588
Miscellaneous deposits	166,646	-	-	-	166,646
	$ 76,657,953	$ -	$ 491,012	$ 14,725,877	$ 91,874,842

**Excludes cash on hand*

Set out below is the information about the credit risk exposures of the Group's financial assets using a provision matrix as of December 31, 2018.

Trade receivables and other receivables
Days past due

	Current	<30 days	30-60 days	61-90 days	>91 days	Impaired Financial Assets	Totals
Expected credit loss rate	0%	0%	0%	0%	0%	22%	
Estimated total gross carrying amount at default	$7,918,628	$2,047,259	$443,572	$138,429	$2,409,282	$2,259,719	$15,216,889
Expected credit loss	$-	$-	$-	$-	$-	$491,012	$491,012

Expected credit loss rate on the Group's cash on hand and cash equivalents approaches zero.

December 31, 2019:

		Past due					
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in banks	**$ 15,354,463**	-	-	-	-	-	**$15,354,463**
Trade and other receivables	**25,818,637**	**1,988,950**	**1,976,532**	**2,279,326**	**12,427,342**	**(741,012)**	**43,749,775**
Amounts owed by related parties	**22,973,970**	-	-			-	**22,973,970**
Other Current assets:							
Financial asset at FVTPL	**494**	-	-	-	-	-	**494**
Rental deposit	**1,157,496**	-	-	-	- -	-	**1,157,496**
Loans to employees	**621,206**	-	-	-	- -	-	**621,206**
Security Deposit	**182,482**	-	-	-	- -	-	**182,482**
Other financial asset at amortized cost	**458,873**	-	-	-	- -	-	**458,873**
Other noncurrent assets:		-	-	-	-	-	-
Loans to employees	**731,043**	-	-	-	- -	-	**731,043**
Miscellaneous deposits	**171,205**	-	-	-	- -	-	**171,205**
	$67,469,869	**$1,988,950**	**$1,976,532**	**$2,279,326**	**$ 12,427,342**	**$(741,012)**	**$85,401,007**

December 31, 2018

		Past due					
	Current	<30 days	30-60 days	61-90 days	>90 days	ECL	Net of ECL
Cash in bank and equivalents	$17,442,756	-	-	-	-	-	$17,442,756
Trade and other receivables	7,981,628	2,047,259	443,572	138,429	4,669,001	(491,012)	14,725,877
Amounts owed by related parties	57,004,906	-	-	-	-	-	57,004,906
Other Current assets:							
Financial asset at FVTPL	475	-	-	-	-	-	475
Rental deposit	1,142,374	-	-	-	-	-	1,142,374
Loans to employees	612,792	-	-	-	-	-	612,792
Security deposits	182,409	-	-	-	-	-	182,409
Other financial asset at amortized cost	469,588	-	-	-	-	-	469,588
Other noncurrent assets:							
Loans to employees	902,161	-	-	-	-	-	902,161
Miscellaneous deposits	166,646	-	-	-	-	-	166,646
	$85,842,735	$2,047,259	$443,572	$138,429	$4,669,001	$491,012	$92,649,984

The tables below summarize the credit quality per class of the Group's financial assets that are either past due nor impaired:

December 31, 2019

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	**$ 15,354,463**	**$ -**	**$ -**	**$ 15,354,463**
Trade and other receivables	**25,818,637**	**-**	**-**	**25,818,637**
Amounts owed by related parties	**-**	**22,973,970**	**-**	**22,973,970**
Other Current assets:				
Rental deposit	**1,157,496**	**-**	**-**	**1,157,496**
Loans to employees	**621,206**	**-**	**-**	**621,206**
Security Deposit	**182,482**	**-**	**-**	**182,482**
Other financial assets at amortized cost	**458,873**	**-**	**-**	**458,873**
Other noncurrent assets:				
Loans to employees	**731,043**	**-**	**-**	**731,043**
Miscellaneous deposits	**171,205**	**-**	**-**	**171,205**
	$ 44,495,405	**$ 22,973,970**	**$ -**	**$ 67,469,375**

December 31, 2018

	Neither Past due nor Impaired			
	High Grade	Medium Grade	Low Grade	Total
Cash and cash equivalents	$ 17,442,756	$-	$-	$ 17,442,756
Trade and other receivables	7,918,628	-	-	7,918,628
Amounts owed by related parties	-	57,004,906	-	57,004,906
Other Current assets:				
Rental deposit	1,142,374	-	-	1,142,374
Loans to employees	612,792	-	-	612,792
Security Deposit	182,409	-	-	182,409
Other financial assets at amortized cost	469,588	-	-	469,588
Other noncurrent assets:				
Loans to employees	902,161	-	-	902,161
Miscellaneous deposits	166,646	-	-	166,646
	$ 28,837,354	$57,004,906	$-	$ 85,842,260

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 financing, including dollar and peso-denominated loans from Philippine banks, depending on its financing needs and market conditions.

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

December 31, 2019

	On Demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
December 31, 2019			-		
Cash and cash equivalents	$ 15,354,711	$ -	$ -	$ -	$ 15,354,711
Trade and other receivables	25,818,637	17,931,138	-	-	43,749,775
Due from related parties	22,973,970	-	-	-	22,973,970
	$ 64,147,318	$ 17,931,138	$ -	$ -	$ 82,078,456
Trade and other payables:					
Trade payables	$ 8,373,400	$ -	$ -	$ -	$ 8,373,400
Accrued expense	-	6,377,928	-	-	6,377,928
Short-term loans*	-	64,699,593			64,699,593
Due to related parties	565,867	-	-	-	565,867
Dividend payable	20,601	-	-	-	20,601
Long-term debts*	-	13,251,824	25,410,090	38,538,246	77,200,160
	$ 8,959,868	$ 84,329,345	$ 25,410,090	$ 38,538,246	$ 157,237,549

December 31, 2018

	On Demand	Less than 1 year	1 to 2 years	>2 to 5 years	Total
December 31, 2018					
Cash and cash equivalents	$ 17,443,001	-	-	$ -	$ 17,443,001
Trade and other receivables	7,918,628	6,807,249	-	-	14,725,877
Due from related parties	57,004,906	-	-	-	57,004,906
	$ 82,366,535	$ 6,807,249	$ -	$ -	$ 89,173,784
Trade and other payables:					
Trade payables	$ 10,154,008	$ -	$ -	$ -	$ 10,154,008
Accrued expense		1,740,376	-	-	1,740,376
Short-term loans*	-	54,783,580	-	-	54,783,580
Due to related parties	930,745	-	-	-	930,745
Dividend payable	20,601	-	-	-	20,601
Long-term debts*	-	15,132,560	13,416,991	63,359,019	91,908,570
	$ 11,105,354	$ 71,656,516	$ 13,416,991	$ 63,359,019	$ 159,537,880

Foreign currency risk

The Group uses the US dollar as its functional currency and is therefore exposed to foreign exchange movements. 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.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2019 and 2018:

US Dollars

		December 31, 2019		
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	₱	15,370,490	$	592,791
Financial asset at amortized cost		25,000		494
Other current assets		75,634,372		1,493,717
Other noncurrent assets		6,240,523		123,245
Total Financial Assets		97,270,385		2,210,247
Financial Liabilities				
Trade and other payables		82,080,100		1,621,015
Net Financial Assets	₱	15,190,285	$	589,232

		December 31, 2018		
		Original Currency in PHP		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	₱	140,431,688	$	2,670,819
Financial asset at amortized cost		24,690,937		469,588
Other current assets		76,095,393		1,447,229
Other noncurrent assets		6,427,708		122,246
Total Financial Assets		247,645,726		4,709,882
Financial Liabilities				
Trade and other payables		115,680,925		2,200,094
Net Financial Assets	₱	131,964,801	$	2,509,788

British Pound

		December 31, 2019		
		Original Currency in GPB		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	£	-	$	-
Other current assets		-		-
	£	-	$	-

		December 31, 2018		
		Original Currency in GPB		Total Dollar Equivalent
Financial Assets				
Cash and cash equivalents	£	58,901	$	75,111
Other current assets		36,791		46,916
	£	95,692	$	122,027

US Dollar

December 31, 2019	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$	(110,512)	-5%	$	110,512
Peso denominated liabilities	+5%		81,051	-5%		(81,051)
		$	(29,461)		$	29,461

December 31, 2018	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	$	(235,494)	-5%	$	235,494
Peso denominated liabilities	+5%		125,489	-5%		(125,489)
		$	(110,005)		$	110,005

British Pound

December 31, 2019	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	-	£	-	-	£	-

December 31, 2018	Foreign currency Appreciates by		Effect on Income Before Tax	Foreign currency Depreciates by		Effect on Income Before Tax
Peso denominated assets	+5%	£	6,101	-5%	£	(6,101)

The change in currency rate is based on the Group's best estimate of its expected change considering the historical trends and experiences. There is no other effect on the Group's equity other than those already affecting income before tax.

33. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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's manages its capital structure, which pertains to its equity as shown in the consolidated statement of financial position, 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 2019 and 2018.

The Group considers the following as capital:

	2019	2018
Common Stock	$ **9,594,321**	$ 9,594,321
Preferred Stock	**2,615,995**	2,615,995
Additional paid-in-capital	**100,469,659**	100,469,659
Equity reserve	**4,030,214**	4,030,214
Other comprehensive income	**(906,973)**	(1,225,830)
Retained earnings	**26,467,617**	25,144,690
Parent company shares held by a subsidiary	**(27,753,128)**	(26,812,680)
	$ **114,517,705**	$ 113,816,369

As of December 31, 2019 and 2018, the Group is subject to quantitative loan covenants and financial ratios on its long term debts.

As of December 31, 2019 and 2018, The Group was able to meet its capital requirements and management objectives.

34. EQUITY

Components of capital stock are as follows:

	2019	2018	2017
Common shares	$ **9,594,321**	$ 9,594,321	$ 9,594,321
Preferred shares	**2,615,995**	2,615,995	2,037,113
Additional Paid-in Capital	**100,469,659**	100,469,659	100,469,659
	$ **112,679,975**	$ 112,679,975	$ 112,101,093

34.01 Common Shares

Shown below are the details of common shares as of December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized						
Common shares, ₱1.00 par value	**520,000,000**	**$ 520,000,000**	520,000,000	$ 520,000,000	520,000,000	$ 520,000,000
Issued and fully paid						
Common shares	**419,063,353**	**9,594,321**	419,063,353	9,594,321	419,063,353	9,594,321
Balance, December 31	**419,063,353**	**$ 9,594,321**	419,063,353	$ 9,594,321	419,063,353	$ 9,594,321

On November 18, 2011, the Group 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 Group 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 Group'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 Group'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 Group'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 P1.00 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 Group 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 Group's application to increase its authorized capital stock.

On November 4, 2015, the Group's FOO was completed. The Group issued 80,000,000 new shares at issue price of P20 per share for a total amount of $34.2 million. The Group 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 Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by P 1,440,000,000 or from ₱560,000,000 divided into 520,000,000 common shares with a par value of P1.00 per share and 400,000,000 preferred shares with a par value of ₱0.10 per share ("Preferred A" shares), to P 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 P1.00 per share, with preferences, convertibility voting rights and other features of which shall be determined by the Group's BOD. On the same date, the Group'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 Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group'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: 0 determine the manner (either in one or more tranches) by which the proposed increase in the authorized capital stock of the Group 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 Group's application to increase its authorized capital stock, which was approved by Philippine SEC on September 29, 2017, did not include increase in authorized capital stock on common shares. In 2018 collection of subscription agreement amounted to $578,882.

On July 18, 2018, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by P 160,000,000 by increasing the authorized: (1) common stock by ₱120,000,000 ; and (ii) preferred A stock by ₱40,000,000. Furthermore, the par value of the common shares was reduced from ₱1.00 to P0.50 per share.

On September 7, 2018, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group's authorized capital stock as endorsed by the BOD.

As of December 31, 2018, the Group's BOD is in the process of filing applications and documents as may be necessary to amend the articles of incorporation and to implement and give effect to the foregoing resolution.

As of December 31, 2018 and 2017, the Group has a total number of 26 and 25 stockholders, respectively.

Group Shares Held by a Subsidiary In 2016, CEC acquired a total of 102,018,659 common shares of the Group for ₱2.3 billion ($49.7 million). The shares purchased were recorded at cost and deducted from equity in the consolidated balance sheet and consolidated changes in equity.

In 2017, CEC sold 85,099,869 shares for $42.4 million. Excess of acquisition cost over pro amounted to $0.1 million which was offset against "Equity reserve" account.

The 2017 consolidated financial statements of the Group were restated to correct transaction related to the disposals of Group shares held by a subsidiary, which were recognized under "Amounts owed by related parties" account. Management inadvertently included the disposals of shares held by Camerton, its immediate Group, amounting to $4.5 million (equivalent to 11,872,668 shares).

As a result, the following financial statement line items have been restated as follows:

		December 31, 2017
Consolidated statement of financial position:		
Increase in due from related parties	$	(4,518,053)
Decrease in Group shares held by a subsidiary		4,518,053
Consolidated statement of changes in equity:		
Sale by subsidiary of Parent Company's shares held by a subsidiary	$	4,518,053

The restatement did not have impact on the 2017 consolidated statement of cash flows and consolidated statement of comprehensive income, except for the impact on earnings per share. As of December 31, 2017, prior to restatement, the earnings per share amounted to $0.007. After restatement, earnings per share amounted to $0.008.

In 2018, CEC acquired additional 32,152,644 Group shares for ₱1.2 billion ($19,795,320).

As of December 31, 2019 and 2018, the carrying value of Group shares held by a subsidiary amounted to $27,753,128 and $26,812,680, respectively.

34.02 Preferred Shares

Details of Group's redeemable preferred shares are as follows:

	2019		2018		2017	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized						
Preferred shares A, ₱0.10 par value	**700,000,000**	**$ 70,000,000**	700,000,000	$ 70,000,000	700,000,000	$ 70,000,000
Preferred shares B-1, ₱1.00 par value	**70,000,000**	**70,000,000**	70,000,000	70,000,000	70,000,000	70,000,000
Preferred shares B-2, ₱1.00 par value	**200,000,000**	**200,000,000**	200,000,000	200,000,000	200,000,000	- 200,000,000
Issued and fully paid						
Preferred shares A	**9,468,630**	**946,863**	9,468,630	946,863	3,679,810	367,981
Preferred shares B-1	**342,399**	**342,399**	342,399	342,399	342,399	342,399
Preferred shares B-2	**1,326,733**	**1,326,733**	1,326,733	1,326,733	1,326,733	1,326,733
Balance, December 31	**11,137,762**	**$ 2,615,995**	11,137,762	$ 2,615,995	5,348,942	$ 2,037,113

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

On September 8, 2017, the Group's BOD, by majority vote, approved the amendment in the Group's articles of incorporation to increase the Group'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 520000000 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 P 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. ₱70,000,000 worth of preferred A shares divided into 70,000,0000 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) ₱20,0000,000 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 Group recognized preferred stock and additional paid-in capital amounting to $0.1 million and $0.3 million, respectively, net of subscriptions receivable.

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

The features of the preferred A shares are 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 Group 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 Group'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 referred 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 Group BOD, redeemable in whole and not in part, at the sole option of the Group at a price and at such time that the Group BOD shall determine 3;
e. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of the Group, 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 Group 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 Group is paid or distributed to the holders of other classes of shares.

On October 23, 2017 and November 9, 2017, the Group 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 Group BOD, redeemable in whole and not in part, at the sole option of the Group at a price and at such time that the Group BOD shall determine; provided that management may grant up to 3% step-up rate on the cash dividends if the Group 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 Group 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 Group, 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 Group 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 Group 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 Group's public offering was completed. The Group issued 67,000,000 preferred B-2 shares with par value of P1.00 at issue price of $1.00 per share for a total amount of $67.0 million. The Group recognized preferred stock and additional paid-in capital stock amounting to $1.3 million and $65.7 million, respectively.

The Group 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 $324,866 recorded under "Accrued expenses and other payables" account.

In 2017, aggregate amount received from the issuance of preferred shares amounted to $67,489,141. Related stock issuance cost amounted to $775,635.

On December 8, 2017, the Group listed with the PSE its 67,000,000 preferred B-2 shares.

On July 18, 2018, the Group's BOD approved by majority vote the amendment of the articles of incorporation to increase the Group's authorized capital stock by ₱160,000,000 by increasing the authorized: (i) common stock by ₱120,000,000 ; and (ii) preferred A stock by P 40,000,000 The Group authorized the subscription by Camerton, Inc, to ₱40,000,000 of preferred A shares. Furthermore, the par value of the preferred A shares was reduced from ₱0.10 to ₱0.05 per share. On the same date, the Group's BOD approved by majority vote the reclassification of ₱100,000,000 preferred B-2 shares with a par value of ₱1.00 per share into ₱100,000,000 of a new class of shares denominated as preferred C shares, divided into 100,000,000 of ₱1.00 per share.

On September 7, 2018, the Group's shareholders representing at least two-thirds of outstanding capital stock thereof approved the amendment of the articles of incorporation to increase the Group'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 determine and fix the terms and conditions of preferred C shares.

On December 13, 2018, Camerton, Inc. paid 25% of the additional subscription to preferred A shares amounting to ₱10,000,000 or $189,107. This amount was recorded as deposit for future stock subscription as of December 31, 2018.

In 2018, partial payment received from subscription receivable on preferred shares A amounting to $578,882.

As of December 31, 2019, the Group has not yet secured a certificate of approval of increase of capital stock from the Securities Exchange Commission (SEC). Moreover, the application has not yet been presented to SEC, hence deposit for future stock subscription was classified as a liability. As of December 31, 2019 and 2018, deposit for future stock amounted to $189,107.

As of December 31, 2019 and 2018, the Group has unrecognized dividends on cumulative preferred B-1 and B-2 shares totaling to $0.1 million and $0.3 million, respectively.

35.03 Retained Earnings

On January 28, 2016, the Group'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 Group'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 Group'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 Group'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.

Accumulated earnings of the subsidiaries are not yet available for dividend distribution to the Group's stockholders, unless received as cash dividends from the subsidiaries. On February 2, 2018, the Group'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 Group's BOD approved the declaration of cash dividend of ₱0015313 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. This amount remained unpaid as of December 31, 2018.

On the same date, the Group's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on March 8, 2018 to shareholders of record as of March 6, 2018.

On June 4, 2018, the Group's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,938, for payment and distribution on the following dates:

a. June 8, 2018 to shareholders of record as of June 6, 2018
b. September 10, 2018 to shareholders of record as of September 6, 2018
c. December 10, 2018 to shareholders of record as of December 6, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On September 3, 2018, the Group's BOD approved the declaration of cash dividends of $0.0048 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $2,000,000, for payment and distribution on September 24, 2018 to shareholders of record of September 18, 2018. The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On January 30, 2019, the Group's BOD approved the declaration of cash dividend of $0.015313 per share for each of the 67,000,000 outstanding and issued preferred B-2 shares amounting to an aggregate sum of $1,025,971, for payment and distribution on the following dates:

a. March 6, 2019 to shareholders of record as of March 6, 2019
b. June 6, 2019 to shareholders of record as of June 6, 2019
c. September 5, 2019 to shareholders of record as of September 5, 2019
d. December 5, 2019 to shareholders of record as of December 5, 2018

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

On May 24, 2019 the Group's BOD approved the declaration of cash dividends of $0.002366 per share for each of 419,063,353 fully paid and issued common shares amounting to an aggregate sum of $2,086,384, for payment and distribution on the following dates:

a. June 11, 2019 to shareholders of record of as of June 11, 2019.
b. November 11, 2019 to shareholders of record as of November 11, 2019

The cash dividend shall be paid in Philippine Peso at the BSP exchange rate one day prior to payment date.

In 2019, 2018 and 2017, cash dividends paid amounted to $7,348,654, $7,841,801 and $3,361,762, respectively. Accordingly, as of December 31, 2019 and 2018, dividends payable amounted to $20,601.

Retained earnings include undistributed earnings amounting to $26.2 million, $25.1 million and $24.3 million as of December 31, 2019, 2018 and 2017, respectively, representing accumulated earnings of subsidiaries, which are not available for dividend declaration until received in the form of dividends from the combining entities. Retained earnings available for dividend declaration as at December 31, 2018 amounted to $3.6 million.

Retained earnings are further restricted for the payment of dividends to the extent of unrealized foreign exchange gains except those attributable to cash and cash equivalents, net fair value gain on investment properties, deferred income tax assets recognized that reduced the income tax expense and increased net income and retained earnings, and other unrealized gains or adjustments as of December 31, 2019 and 2018.

35. DISCONTINUED OPERATIONS

In 2019, Cirtek Group decided to discontinue Quintel Technology, Ltd. (Quintel UK) in line with the Group's strategy to focus all its operations in the US market and bring down its operating costs. Consequently, Quintel UK operations including all its assets and liabilities were transferred to Quintel USA and manpower reduction was implemented (See Note 3.03).

By end of January 2019, management thru its legal counsel in the UK filed for liquidation of Quintel Technology, Ltd. wherein the final settlement with the liquidators and third party creditors was reached in April 2020, in the amount of GBP1.9 million or an equivalent to $2.5 million.

On July 4, 2019, Telecom Quintel Mauritius, Ltd. (Quintel Mauritius), sales and administration office of Quintel group, has ceased its operation and registration in line with the Group's profit optimization strategy (See Note 3.03).

As a result of the liquidations of Quintel UK and Quintel Mauritius, assets and liabilities identified to these companies were classified as disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item in the statement of profit or loss.

A gain amounting to $13,730,086 was recognized in the discontinued operations. The amount is the sum of (1) $10,907,492 gain from the release of other net comprehensive income, (2) $3,599,742 of investment in subsidiary, and (3) $94,641 write-off of property, plant and equipment, and net of $871,789 additional expenses from the settlement.

The $10,907,492 million gain from the release of other comprehensive income pertains to cumulative foreign currency translation adjustment from translating the financial statements of Quintel UK and Quintel Mauritius to the presentation currency of Quintel Cayman, Ltd., its parent company. The $11 million resulted from multiple years effects of foreign exchange gain prior to acquisition in 2017. Prior to this consolidation, there was no movement in the OCI since acquisition on July 28, 2017.

In 2019, Quintel UK and Quintel Mauritius have no operations.

36. CHANGE IN ACCOUNTING POLICY

The Group applied PFRS 16 using the modified retrospective approach, with the cumulative effect being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from PAS 17 and IFRIC 4 and has not applied PFRS 16 to arrangements that were previously not identified as lease under PAS 17 and IFRIC 4.

The Group has elected not to include initial direct cost in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of PFRS 16, being January 1, 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of PFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to PFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognized under PFRS 16 was 5.5%. The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from PAS 17 to PFRS 16 at January 1, 2019:

	Carrying amount	Reclassification	Remeasurement	PFRS 16 Carrying Amount at January 1, 2019
Right-of-use asset	₱ -	₱ 490,807	₱ -	₱ 490,807
Lease liabilities	₱ -	₱ 493,078	₱ -	₱ 493,078

37. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities is as follows:

	2019	2018
Beginning balance, January 1	$ 128,623,549	$ 111,789,821
Changes from financing cash flows		
Proceeds from short-term loans	69,449,593	39,778,000
Accrual of finance costs	634,136	755,977
Effect of lease liability	493,078	-
Amortization of deferred finance cost	134,249	129,100
Acquisition of Parent Company shares	(940,448)	-
Net movement of due to related party	(1,383,724)	57,990
Finance costs paid	(2,118,477)	(2,065,766)
Payment of cash dividends	(7,348,654)	(7,841,801)
Payment of long-term loans	(9,210,000)	(4,360,000)
Payment of short-term loans	(49,250,000)	(10,108,088)
Receipt of subscription receivable	-	578,882
Cash received as DFFS	-	189,107
Dividend payable	-	20,601
Debt issuance cost paid	-	(300,274)
Ending balance, December 31	$ 128,499,166	$ 128,623,549

38. EVENTS AFTER THE REPORTING PERIOD

38.01 Impact of COVID-19

In January 2020, the outbreak of Coronavirus Disease 2019 (COVID-19) in China resulted to delayed resumptions of work in all China manufacturing facilities in conformance with local government notices.

The Group in its disclosure dated March 16, 2020 informed the investing public that the Company and its subsidiaries (the "Cirtek Group") remain in full operation. The Group assessed that the potential risk and impact posed by COVID-19 include the following: (1) reduced attendance of employees due to mandatory quarantine; (2) increase in operating cost due to additional safety measures to protect all employees of the company; and (3) slow deliveries of materials from China. Further, Cirtek Group has implemented its Workplace Policy and Program on COVID-19 Prevention and Control to ensure the health, safety and welfare of all its employees and in compliance with the requirements of the Department of Labor and Employment and the Department of Health.

On March 24, 2020, Cirtek Group issued another update to inform investing public that the Company and its subsidiaries are still operational at different levels of capacity and customer orders continue to come in even better due to temporary closure of other competitors.

As at reporting date, Cirtek Group were operational at different levels of capacity. The Group will monitor the developments of the COVID-19 situation closely and continue to assess its impact on the 2020 financial position and performance of the Group. However, the Group does not expect that this will have significant impact on the 2019 judgments and estimates.

On April 15, 2020, Cirtek Group in its disclosure informed the investing public that amidst the global COVID-19 pandemic, Cirtek Electronics Corporation, the semiconductor arm of Cirtek Group, is experiencing a surge in product orders for medical chips supplied to medical equipment end customers globally while Quintel USA, Inc., its telecom base station antenna equipment maker, is also experiencing surge in antenna demand as the global lockdown and work from home policies have shifted growth to massive data demand. Cirtek and its subsidiaries worldwide remain COVID-19 free while adhering to local government policies and measures in ensuring business continuity.

38.01 Declaration of Cash Dividends

The Board of Directors of Cirtek Holdings Philippines Corporation ("TECH") in its Regular meeting held on 17 February 2020, approved the declaration of cash dividend $0.015313 per share for each of the Sixty Seven Million (67,000,000) outstanding and issued Preferred B-2 shares amounting to an aggregate sum$1,025,937.50.

Subject to the conditions for the declaration and payment of dividends and pursuant to the Terms and Conditions of the Offer, the schedule of the payment and distribution of the cash dividends provided above shall be made to the entitled shareholders on the following dates:

a. 9 March 2020 to shareholders of record as of 4 March 2020;
b. 8 June 2020 to shareholders of record as of 2 June 2020;
c. 8 September 2020 shareholders of record as of 2 September 2020; and
d. 9 December 2020 shareholders of record as of 2 December 2020.

The Cash Dividend shall be paid in US Dollar on the payment date.

39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 20, 2020.

REPORT ON THE SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
116 East Main Avenue
Phase V-SEZ, Laguna Technopark
Biñan, Laguna

We have issued our report dated April 20, 2020 on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as of and for the year ended December 31, 2019. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES** as a whole. The information in the index to the consolidated financial statements for the year ended December 31, 2019, which is not a required part of the consolidated financial statements, is required to be filed with the Securities and Exchange Commission. Such information is the responsibility of the Management **CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES.** The information has been subjected to the auditing procedures applied in our audit of the basic consolidated financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

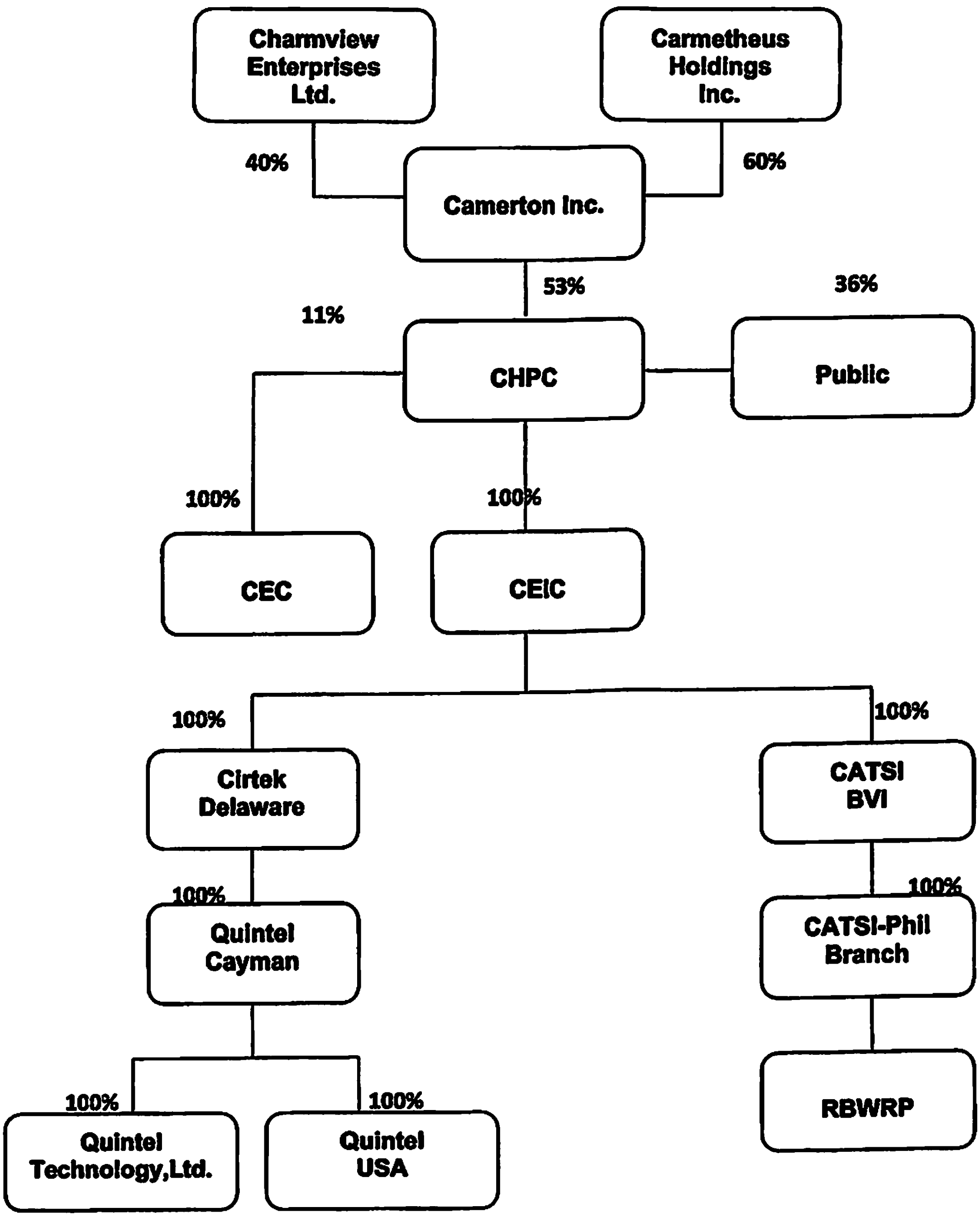
R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

PERCIVAL R. DE GUZMAN
Partner
CPA Certificate No. 92437
SEC Group A Accredited
Accreditation No. 1411-AR-1
Valid until June 14, 2020
BIR Accreditation No. 08-006019-1-2017
Valid from August 7, 2017 until August 6, 2020
Tax Identification No. 195-808-180
PTR No. 8125458
Issued on January 8, 2020 at Makati City

April 20, 2020

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31,2019

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
DECEMBER 31,2019



II Reconciliation of Retained Earnings Available for Dividend Declaration as of December 31, 2019

Unappropriated retained earnings, beginning	**$3,608,626**
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	4,371,919
Less: Unrealized foreign exchange gain, net of tax (except for those attributable to cash)	-
Net income actually earned during the period	**7,980,545**
Less: Cash dividends declared	6,090,268
Retained earnings available for dividend declaration	**$1,890,277**

CIRTEK HOLDINGS PHILIPPINES CORPORATION
FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019

Ratios	Formula	December 31, 2019	December 31, 2018
(i) Current Ratio	Current Assets/Current Liabilities	**1.43**	1.45
(ii) Debt/Equity Ratio	Bank Debts[1]/ Total Equity	**1.11**	1.12
(iii) Net Debt/Equity Ratio	Bank Debts[1]-Cash & Equivalents/Total Equity	**0.98**	0.96
(iii) Asset to Equity Ratio	Total Assets/Total Equity	**2.33**	2.33
(iv) Interest Cover Ratio	EBITDA[2]/Interest Expense	**4.06**	4.22
(v) Profitability Ratios			
GP Margin	Gross Profit/Revenues	**0.29**	0.21
Net Profit Margin	Net Income/Revenues	**0.11**	0.08
EBITDA Margin	EBITDA/Revenues	**0.25**	0.19
Return on Assets	Net Income/Total Assets[3]	**0.03**	0.03
Return on Equity	Net Income/Total Equity[3]	**0.08**	0.07

[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 December 31, 2019 and 2018

SCHEDULE A

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL ASSETS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

	Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotation at the end of reporting period	Income received or accrued
Cash in banks	N/A	$15,354,463	$15,354,463	$51,434
Trade and other receivables	N/A	43,749,775	43,749,775	–
Amounts owed by related parties	N/A	22,973,970	22,973,970	–
Other current assets:				
Financial asset at FVTPL	N/A	494	494	–
Rental deposit	N/A	1,157,496	1,157,496	–
Security deposit	N/A	182,482	182,482	–
Loan to employees	N/A	621,206	621,206	–
Other financial asset at amortized	N/A	458,873	458,873	4,195
Other noncurrent assets:				
Loans to employees	N/A	731,043	731,043	–
Miscellaneous deposits	N/A	171,205	171,205	–
		$85,401,007	$85,401,007	$55,629

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 YEAR ENDED DECEMBER 31, 2019

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Not Current	Balance at the end of the period
Parent Company	$					
Camerton Inc.	$54,978,875	$–	($33,997,745)	$20,981,130	$–	$20,981,130
Related parties under common control						
Cirtek Holdings, Inc.	1,809,256	–	–	1,809,256	–	1,809,256
Cayon Holdings, Inc.	216,775	–	(33,191)	183,584	–	183,584
TOTAL	$57,004,906	$0	($34,030,936)	$22,973,970	$–	$22,973,970

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 YEARENDED DECEMBER 31, 2019

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 USA*	24,883,424	–	(13,439,928)	–	11,443,496	–	11,443,496

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	$–	($35,540,529)	$–	$45,795,261	$–	$45,795,261
CEIC	8,325,739	13,000,000	–	–	21,325,739	–	21,325,739
CATS	–	32,372,961			32,372,961		32,372,961
Subtotal	89,661,529	45,372,961	(35,540,529)	–	99,493,961	–	99,493,961
Cirtek Electronics Corporation from:							
CHPC	38,243,036	–	(11,092,652)	–	27,150,384	–	27,150,384
CATS	31,587,453	–	(31,587,453)	–	–	–	–
Subtotal	69,830,489	–	(42,680,105)	–	27,150,384	–	27,150,384
Cirtek Electronics International Corporation from:							
CHPC	2,339,865	–	–	–	2,339,865	–	2,339,865
CEC	21,066,892	449,083	–	–	21,515,975	–	21,515,975
CATS	164,776	159510	–	–	324,286	–	324,286
Cirtek Corporation	82,478,692	–	–	–	82,478,692	–	82,478,692
Subtotal	106,050,225	608,593	–	–	106,658,818	–	106,658,818
Cirtek Advanced Technologies and Solutions, Inc from:.							
RBWRP	36,184	707	–	–	36,891	–	36,891
Subtotal	36,184	707	–	–	36,891	–	36,891
RBW Realty and Property, Inc from:							
CATS	18,389	–	–	–	18,389	–	18,389
TOTAL	$265,596,816	$45,982,261	($78,220,634)	$–	$233,358,443	$–	$233,358,443

SCHEDULE D

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INTANGIBLE ASSETS - OTHER ASSETS
AS OF DECEMBER 31, 2019

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	$55,541,157	$–	$–	$–	$–	$55,541,157
Customer relationship	23,736,500	–	–	–	–	23,736,500
Trademark	7,472,800	–	–	–	–	7,472,800
Technology	4,210,130	193,736	(1,174,920)	–	–	3,228,946
Product development costs	2,123,057	2,537,983	(320,724)	–	–	4,340,316
Total	$93,083,644	$2,731,719	($1,495,644)	$–	$–	$94,319,719

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF LONG-TERM DEBT
AS OF DECEMBER 31, 2019

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	$62,480,920	$9,651,136	$52,829,784

CIRTEK HOLDINGS PHILIPPINES CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
AS OF DECEMBER 31, 2019

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 DECEMBER 31, 2019

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 DECEMBER 31, 2019

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	–	–	–	–